

FINANCIAL REPORT

**UNITED WAY OF OXFORD - LAFAYETTE
COUNTY, INC.**

(a Not-for-Profit Organization)

Oxford, Mississippi

June 30, 2021

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Independent Auditors' Report

To the Board of Directors
United Way of Oxford - Lafayette County, Inc.
Oxford, Mississippi

We have audited the accompanying financial statements of United Way of Oxford - Lafayette County, Inc. (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Oxford - Lafayette County, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Tupelo, Mississippi
October 4, 2021

Statements of Financial Position
UNITED WAY OF OXFORD-LAFAYETTE COUNTY, INC.
(a Not-For-Profit Organization)

June 30, 2021 and 2020

| Assets | <u>2021</u> | <u>2020</u> |
|---------------------------------------|--------------------------|--------------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 187,598 | \$ 143,134 |
| Certificates of deposit | 91,257 | 90,291 |
| Accounts receivable | 250 | 1,214 |
| Unconditional promises to give, net | 62,860 | 89,685 |
| Prepaid expenses | <u>1,750</u> | <u>1,750</u> |
| Total current assets | <u>343,715</u> | <u>326,074</u> |
| Property and Equipment | | |
| Furniture, fixtures, and equipment | 24,742 | 24,742 |
| Less: Accumulated depreciation | <u>(21,751)</u> | <u>(21,658)</u> |
| Total property and equipment | <u>2,991</u> | <u>3,084</u> |
| Other Assets | | |
| CREATE endowment | <u>76,799</u> | <u>58,819</u> |
| Total assets | <u><u>\$ 423,505</u></u> | <u><u>\$ 387,977</u></u> |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 1,690 | \$ 1,704 |
| Allocations payable | 203,450 | 193,450 |
| Deferred revenue | <u>21,041</u> | <u>13,600</u> |
| Total current liabilities | <u>226,181</u> | <u>208,754</u> |
| Net Assets | | |
| Without donor restrictions | | |
| Board designated for CREATE endowment | 76,799 | 58,819 |
| Undesignated | 100,084 | 101,970 |
| With donor restrictions | <u>20,441</u> | <u>18,434</u> |
| Total net assets | <u>197,324</u> | <u>179,223</u> |
| Total liabilities and net assets | <u><u>\$ 423,505</u></u> | <u><u>\$ 387,977</u></u> |

The accompanying notes are an integral part of these statements.

Statements of Activities

UNITED WAY OF OXFORD-LAFAYETTE COUNTY, INC.
(a Not-For-Profit Organization)

Years ended June 30, 2021 and 2020

| | <i>2021</i> | | | <i>2020</i> | | |
|---|---------------------------------------|------------------------------------|--------------|---------------------------------------|------------------------------------|--------------|
| | <i>Without Donor Restrictions</i> | <i>With Donor Restrictions</i> | <i>Total</i> | <i>Without Donor Restrictions</i> | <i>With Donor Restrictions</i> | <i>Total</i> |
| Support and Revenue | | | | | | |
| Contributions: | | | | | | |
| Campaign revenue | \$ 299,770 | \$ 9,010 | \$ 308,780 | \$ 317,368 | \$ 6,401 | \$ 323,769 |
| Less: provision for uncollectible promises to give | (9,573) | - | (9,573) | (2,851) | - | (2,851) |
| Net campaign revenue | 290,197 | 9,010 | 299,207 | 314,517 | 6,401 | 320,918 |
| Grants: | | | | | | |
| Government | 16,629 | - | 16,629 | 16,600 | - | 16,600 |
| Other | - | 17,500 | 17,500 | - | 20,548 | 20,548 |
| LOU Reads | - | 6,550 | 6,550 | - | 6,325 | 6,325 |
| In-kind income | 449 | - | 449 | 19,578 | - | 19,578 |
| Interest income | 1,044 | - | 1,044 | 1,518 | - | 1,518 |
| CREATE endowment interest income | 620 | - | 620 | 855 | - | 855 |
| CREATE endowment gains (losses) | 17,360 | - | 17,360 | (1,364) | - | (1,364) |
| Special Events income (expense) net | - | - | - | 27,878 | - | 27,878 |
| Miscellaneous income, net | 343 | - | 343 | (56) | - | (56) |
| Net assets released from restrictions | 31,053 | (31,053) | - | 24,378 | (24,378) | - |
| Total support and revenue | 357,695 | 2,007 | 359,702 | 403,904 | 8,896 | 412,800 |
| Expenses | | | | | | |
| Program services: | | | | | | |
| United Way community services | 296,696 | - | 296,696 | 297,863 | - | 297,863 |
| Supporting services: | | | | | | |
| Management and general | 28,733 | - | 28,733 | 27,190 | - | 27,190 |
| Fundraising | 16,172 | - | 16,172 | 34,756 | - | 34,756 |
| Total expenses | 341,601 | - | 341,601 | 359,809 | - | 359,809 |
| Change in net assets | 16,094 | 2,007 | 18,101 | 44,095 | 8,896 | 52,991 |
| Net assets, beginning of year | 160,789 | 18,434 | 179,223 | 116,694 | 9,538 | 126,232 |
| Net assets, end of year | \$ 176,883 | \$ 20,441 | \$ 197,324 | \$ 160,789 | \$ 18,434 | \$ 179,223 |

The accompanying notes are an integral part of these statements.

Statements of Functional Expenses
UNITED WAY OF OXFORD-LAFAYETTE COUNTY, INC.
(a Not-For-Profit Organization)

Years ended June 30, 2021 and 2020

| | <i>2021</i> | | | | <i>2020</i> | | | |
|------------------------------------|--|---------------------------------------|-------------------------|-------------------|--|---------------------------------------|-------------------------|-------------------|
| | <i>Program Services</i> | <i>Support Services</i> | | | <i>Program Services</i> | <i>Support Services</i> | | |
| | <i>United Way Community Services</i> | <i>Management and General</i> | <i>Fund Raising</i> | <i>Total</i> | <i>United Way Community Services</i> | <i>Management and General</i> | <i>Fund Raising</i> | <i>Total</i> |
| Salaries | \$ 48,750 | \$ 6,500 | \$ 9,750 | \$ 65,000 | \$ 48,750 | \$ 6,500 | \$ 9,750 | \$ 65,000 |
| Payroll taxes | 3,730 | 497 | 746 | 4,973 | 2,999 | 400 | 599 | 3,998 |
| Employee benefits | 6,915 | 922 | 1,383 | 9,220 | 6,614 | 882 | 1,323 | 8,819 |
| Total personnel costs | 59,395 | 7,919 | 11,879 | 79,193 | 58,363 | 7,782 | 11,672 | 77,817 |
| Bank charges | - | 629 | - | 629 | - | 592 | - | 592 |
| Campaign expenses | 449 | - | 787 | 1,236 | - | - | 19,578 | 19,578 |
| Other community impact | 6,675 | - | - | 6,675 | 6,614 | - | - | 6,614 |
| ○ Vista volunteer | 75 | 10 | 15 | 100 | 100 | 13 | 20 | 133 |
| Dues and subscriptions | - | 5,957 | - | 5,957 | - | 4,489 | - | 4,489 |
| Insurance | - | 3,302 | - | 3,302 | - | 3,749 | - | 3,749 |
| Marketing - website | - | - | 765 | 765 | - | - | 765 | 765 |
| Office expense | 234 | 31 | 47 | 312 | 519 | 69 | 104 | 692 |
| Repairs & maintenance | 3,866 | 516 | 773 | 5,155 | 3,306 | 441 | 661 | 4,408 |
| Postage | 17 | 2 | 4 | 23 | 101 | 14 | 20 | 135 |
| Professional fees | - | 9,100 | - | 9,100 | - | 8,750 | - | 8,750 |
| Rent | 7,650 | 1,020 | 1,530 | 10,200 | 7,650 | 1,020 | 1,530 | 10,200 |
| Telephone | 1,788 | 238 | 358 | 2,384 | 1,963 | 262 | 392 | 2,617 |
| Grants to agencies | 214,410 | - | - | 214,410 | 210,935 | - | - | 210,935 |
| LOU Reads Coalition | 2,068 | - | - | 2,068 | 8,243 | - | - | 8,243 |
| Total expenses before depreciation | 296,627 | 28,724 | 16,158 | 341,509 | 297,794 | 27,181 | 34,742 | 359,717 |
| Depreciation | 69 | 9 | 14 | 92 | 69 | 9 | 14 | 92 |
| Total expenses | <u>\$ 296,696</u> | <u>\$ 28,733</u> | <u>\$ 16,172</u> | <u>\$ 341,601</u> | <u>\$ 297,863</u> | <u>\$ 27,190</u> | <u>\$ 34,756</u> | <u>\$ 359,809</u> |

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

UNITED WAY OF OXFORD-LAFAYETTE COUNTY, INC.
(a Not-For-Profit Organization)

Years ended June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 18,101 | \$ 52,991 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 92 | 92 |
| (Increase) decrease in: | | |
| Accounts receivable | 964 | 8,702 |
| Unconditional promises to give | 26,825 | 3,466 |
| Prepaid expenses | - | 1,500 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (13) | 131 |
| Allocations payable | 10,000 | (225) |
| Deferred revenue | 7,441 | (2,644) |
| | <u>63,410</u> | <u>64,013</u> |
| Net cash provided by operating activities | | |
| Cash flows from investing activities: | | |
| Interest reinvested in certificates of deposit | (966) | (1,396) |
| Change in CREATE endowment | (17,980) | 510 |
| | <u>(18,946)</u> | <u>(886)</u> |
| Net cash used in investing activities | | |
| Cash flows from financing activities: | | |
| Agency transactions, net | - | (9,689) |
| | <u>-</u> | <u>(9,689)</u> |
| Net cash used in financing activities | | |
| Net change in cash | 44,464 | 53,438 |
| Cash and savings, beginning of year | 143,134 | 89,696 |
| Cash and savings, end of year | <u>\$ 187,598</u> | <u>\$ 143,134</u> |

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

UNITED WAY OF OXFORD - LAFAYETTE COUNTY, INC. (a Not-for-Profit Organization)

June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The United Way of Oxford - Lafayette County, Inc. (the Organization) is a Mississippi not-for-profit organization, governed by a volunteer board of directors, whose primary mission is to improve lives and meet community needs by uniting people and resources. To this end, the Organization raises funds and invests in education, health and human service programs throughout the county, while also leading coalitions to drive community-level change and mobilizing volunteers. The Organization has served the local community since it was established on November 17, 1970. The Organization raises funds through organized volunteer campaigns that are supported by businesses and individuals. Contributions are received in the form of direct cash donations, annual campaign promises to give, corporate matching sponsorships, and employer remittances of participating employee payroll deduction arrangements. The Organization's Community Impact Committee, made up of board members and other community volunteers, reviews grant applications from local nonprofit service providers and recommends annual funding amounts to the board of directors. The Organization also serves as the Chair of the Local Board for Emergency Food & Shelter Program, through which federal funding is periodically distributed to direct aid providers in Lafayette County.

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Public Support and Revenue

Annual campaign contributions and other direct contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recognized and recorded when received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their estimated net realizable value. Unconditional promises to give due in subsequent years (if any) are reflected as long-term promises to give and are recorded at the present value of their estimated net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectible promises is provided based on prior years' experience and management's evaluation of campaign revenue and potential uncollectible promises receivable at year end.

Contributions and grants of cash or other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Administrative fees (if any) earned by the Organization for processing and distributing FEMA grant proceeds to specific agencies, interest from certificates of deposit and other interest-bearing accounts, designations from other United Way agencies throughout the country, and other receipts not mentioned above are classified as other income. Such revenue is considered unrestricted support and can be used as the Board directs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers cash, demand deposits, and all highly liquid investments with maturities of three months or less when purchased to be cash and cash equivalents.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Cash and Cash Equivalents (continued)

The total cash held by the Organization at June 30, 2021 and 2020 was covered by insurance provided by the Federal Deposit Insurance Corporation.

Property and Equipment

The Organization records office furniture, fixtures and equipment at cost if purchased or at fair market value if donated. The Organization currently capitalizes all fixed asset acquisitions of \$500 or more. Depreciation is computed using the straight-line method over an estimated useful life of 5 to 10 years for furniture and equipment and 40 years for buildings and leasehold improvements.

Fair Value of Financial Instruments

The carrying amounts at June 30, 2021 and 2020 for cash and cash equivalents, certificates of deposit, and pledges receivable approximate their fair values because of the short maturity of these instruments.

Accrual for Unrecognized Tax Benefits

On a continuing basis, management analyzes the Organization's tax positions, and, when a tax position meets the measurement and recognition principles outlined in FASB Accounting Standards Codification (FASB ASC) 740, *Income Taxes*, the Organization accrues a liability for unrecognized tax benefits. Any related interest and penalties associated with unrecognized tax benefits are included as a component of other non-interest expense.

Management has evaluated the tax positions taken, and expected to be taken, on the tax returns of the Organization and has determined that, at June 30, 2021 and 2020, the accrual for unrecognized tax benefits is \$0.

Open Tax Years

The Organization is subject to information return reporting in the United States. The Organization's federal information returns are subject to examination by the taxing authorities generally for three years after they are filed. Management has evaluated the tax positions taken and has not identified any positions that are unlikely to be sustained upon examination.

Donated Property and Facilities

Donations of property are recorded as in-kind contributions at their estimated fair values at the date of donation.

Contributed Services

Contributions of services are recorded at their estimated fair value if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A number of volunteers have donated significant time and effort to the United Way fundraising campaign and its grant allocation process. The dollar value of these contributed services is not reflected in the financial statements because the nature of the services does not meet the specified criteria for recording. During the years ended June 30, 2021 and 2020, the value of contributed goods and services meeting the requirements for recognition in the financial statements was \$449 and \$19,578, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based on estimated time and functional usage.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year's presentation.

Evaluation of Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

NOTE 2. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following at June 30:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| Unconditional promises to give, 2019/2020 Campaign | \$ - | \$ 104,685 |
| Unconditional promises to give, 2020/2021 Campaign | 77,860 | - |
| Total unconditional promises to give | 77,860 | 104,685 |
| Less: allowance for uncollectible promises to give | (15,000) | (15,000) |
| Unconditional promises to give, net | <u>\$ 62,860</u> | <u>\$ 89,685</u> |

NOTE 3. CREATE ENDOWMENT

CREATE Foundation of Tupelo, Mississippi serves as the financial administrator for endowments established by a number of non-profit organizations in North Mississippi. Upon approval by the Board, an agreement to establish an endowment was made in 2005 between the Organization and CREATE Foundation. In December 2005, the Organization contributed \$20,000 to establish the endowment, and CREATE Foundation agreed to provide a challenge grant for a two-to-one matching arrangement. This matching contribution was transferred to the Organization's endowment fund in September 2006. The Organization has granted CREATE Foundation variance power which gives CREATE Foundation the power to use endowment funds for other purposes in certain circumstances. However, as the named beneficiary of these endowments, the Organization is eligible to receive annual distributions from the endowment fund pursuant to the community foundation's spending policy, which is currently 4% per year based upon the market value of the respective endowment as of the end of the previous calendar year. The endowment fund is subject to CREATE Foundation's investment and spending policies. The Board anticipates that any income distributed from the endowment fund will help offset administrative costs incurred in support of the Organization's charitable purposes. The Organization has not received any distributions from this fund since it was established in 2005.

The following table summarizes the changes in the endowment fund for the year ended June 30:

| | <u>2021</u> | <u>2020</u> |
|------------------------------|------------------|------------------|
| Endowment, beginning of year | \$ 58,819 | \$ 59,329 |
| Investment return | | |
| Interest/dividend income | 936 | 1,149 |
| Endowment gains (losses) | 17,360 | (1,364) |
| Endowment fees | (316) | (295) |
| Endowment, end of year | <u>\$ 76,799</u> | <u>\$ 58,819</u> |

NOTE 4. FAIR VALUE MEASUREMENT

"Fair value" is defined by FASB ASC 820 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. The hierarchy is broken down into the following three levels, based on the reliability of inputs:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

NOTE 4. FAIR VALUE MEASUREMENT – (Continued)

- Level 2 Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3 Significant unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Determination of fair value

The Organization uses the valuation methodologies listed below to measure different financial instruments at fair value. An indication of the level in the fair value hierarchy in which each instrument is generally classified is included. Where appropriate, the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

CREATE Endowment

CREATE Endowment funds are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices of the underlying investments allocated to the Organization's units within the larger endowment pool.

The following tables present the balances of assets measured at fair value on a recurring basis at June 30:

| | 2021 | | | |
|------------------|-----------------------|-----------------------|-----------------------|---------------------|
| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
| CREATE Endowment | \$ 76,799 | \$ - | \$ - | \$ 76,799 |

| | 2020 | | | |
|------------------|-----------------------|-----------------------|-----------------------|---------------------|
| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
| CREATE Endowment | \$ 58,819 | \$ - | \$ - | \$ 58,819 |

The Organization has no other assets or liabilities measured at fair value on either a recurring or nonrecurring basis.

NOTE 5. DISASTER RELIEF FUND PAYABLE

The Organization has received donations as agent for The Disaster Relief Council for contributions related to severe storm damage in a prior year. At June 30, 2021 and 2020, the Organization held \$0 and \$0, respectively, of cash funds for the benefit of The Disaster Relief Council, representing a liability to that entity and a restriction on spendable cash balances as of that date. During 2020, the board, in consultation with members of the Council, elected to allocate the funds to a separate restricted asset to be used as relief for those who have been effected by the recent COVID-19 pandemic. Accordingly, the disaster relief funds were utilized as allocations to two local agencies providing relief to individuals and families effected by COVID-19.

NOTE 6. COMMITMENTS AND CONTINGENCIES

United Way of Oxford-Lafayette County, Inc. traditionally distributes approved allocations (grants) to Board designated agencies on a quarterly basis. At the end of each annual campaign, the Board determines the amount of funds available for distribution and budgets the amounts to be distributed throughout the year. The Community Impact Committee then reviews the funding requests received from local agencies. With priorities established by the Committee, fund allocations are developed in accordance with the Organization's guidelines. The allocation recommendations of the Committee are submitted to the Board for approval, and upon approval, distribution schedules are established for the year.

NOTE 6. COMMITMENTS AND CONTINGENCIES – (Continued)

In May of each year, the Organization makes unconditional pledges to agency programs for allocations to be paid for the period July 1 through June 30 of the upcoming fiscal year. Accordingly, as of June 30, 2021 and 2020, a liability of \$203,450 and \$193,450, respectively, was recorded for the unconditional grants pledged and not yet paid as of that date.

NOTE 7. LEASES

United Way of Oxford-Lafayette County, Inc. leases office space under the terms of an operating lease that expires in September 2023. Monthly rental payments of \$850 were required under the lease for the fiscal year. Future minimum lease payments required under the lease are as follows for the years ended June 30:

| | | |
|------|----|--------|
| 2022 | \$ | 10,200 |
| 2023 | \$ | 10,200 |
| 2024 | \$ | 2,550 |

NOTE 8. EMPLOYEE BENEFIT PLAN

The Organization participates in a Simplified Employee Pension Individual Retirement Arrangement (SEP IRA). The Organization contributes six percent of the employee's salary to the SEP IRA. For the year ended June 30, 2021 and 2020, plan expenses incurred by the Organization for the SEP IRA were \$3,900 and \$3,900, respectively.

NOTE 9. NET ASSETS

Net assets with donor restrictions consisted of the following at June 30:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| LOU Reads | \$ 12,102 | \$ 7,620 |
| Restricted grant allocations | 8,339 | - |
| COVID-19 Funds | - | 10,814 |
| Total net assets with donor restrictions | <u>\$ 20,441</u> | <u>\$ 18,434</u> |

Funds with donor-imposed restrictions for LOU Reads expenditures are held by the Organization, and any funds unspent from the donor contributions with the aforementioned restrictions are held over for use by LOU Reads in subsequent years. Net assets with donor restrictions at June 30, 2021 represent funds allocated to LOU Reads in excess of amounts spent by LOU Reads and are restricted for future use by that program in subsequent fiscal years, as well as contributions received from donors designated for certain allocations to be made to specific agencies in the subsequent fiscal years. Net assets with donor restrictions at June 30, 2020 represent funds allocated to LOU Reads as described above, as well as grants and contributions received from donors restricted for COVID-19 relief in excess of allocations made to agencies for those purposes and are restricted for future use in subsequent fiscal years. During the year ended June 30, 2021, all of the COVID-19 funds had been expended for their designated purpose and are included in net assets released from restrictions in the accompanying statement of activities.

Net assets without donor restrictions consisted of the following at June 30:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Undesignated | \$ 100,084 | \$ 101,970 |
| Board designated | 76,799 | 58,819 |
| Total net assets without donor restrictions | <u>\$ 176,883</u> | <u>\$ 160,789</u> |

NOTE 10: PAYCHECK PROTECTION PROGRAM

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act commonly referred to as the CARES Act. One component of the CARES Act was the paycheck protection program (“PPP”), which provides small businesses and non-for-profits with the resources needed to maintain their payroll and cover applicable overhead during a specified period referred to as the “covered period”. The PPP is implemented by the Small Business Administration (“SBA”) with support from the Department of Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. The Organization applied for and was accepted to participate in the program.

On April 15, 2020, the Organization qualified for and received its first loan pursuant to the PPP for an aggregate principal amount of \$16,600. The first PPP Loan bore interest at a fixed rate of 1.0% per annum, with interest payments deferred during the covered period and for a defined period subsequent to the covered period to allow for the Organization to request forgiveness from the SBA under the program.

On January 27, 2021, the Organization qualified for and received a second loan pursuant to the PPP for an aggregate principal amount of \$16,629. The loan bears the same terms as the first loan received.

The principal and interest associated with the PPP loans is subject to forgiveness under the Paycheck Protection Program upon the Organization’s request to the extent the PPP proceeds are used to pay qualifying expenses. FASB ASC Topic 958-605 (ASC 958) allows the Organization, and the Organization has elected, to treat the PPP loans as conditional contributions, resulting in recognition of the funds as grant revenue when the Organization incurs qualifying costs sufficient to meet the conditions of forgiveness under the program.

The Organization incurred qualifying expenses to meet the conditions of forgiveness for the first PPP loan during the fiscal year ended June 30, 2020 and, accordingly, recognized those proceeds as government grant income in the Statement of Activities during the fiscal year then ended, even though the SBA did not formally provide notice of loan forgiveness for the first PPP loan until December 30, 2020. The Organization incurred qualifying expenses to meet the conditions of forgiveness for the second PPP loan during the fiscal year ended June 30, 2021, and, therefore, recognized those proceeds as government grant income in the Statement of Activities during the fiscal year then ended, even though the Organization did not file for the forgiveness application until September 3, 2021 and, at the date the financial statements were available to be issued, the SBA had not formally provided notice of loan forgiveness for the second PPP loan.

To the extent that all or part of the second PPP loan is not forgiven, the Organization will be required to make principal and interest payments through the maturity date of January 2026.

NOTE 11: UNCERTAINTIES

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Although the pandemic has curtailed certain fundraising events, at the date of the independent auditors’ report, the Organization had resumed normal operations.

The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, effectiveness of vaccines, and the impact on our donors, employees, and vendors, all of which are uncertain and cannot be predicted. At this time, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

NOTE 12: AVAILABILITY AND LIQUIDITY

The following table represents the Organization's financial assets available to meet general expenditures over the next twelve months at June 30:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Financial assets at year end | | |
| Cash and cash equivalents | \$ 187,598 | \$ 143,134 |
| Certificates of deposit | 91,257 | 90,291 |
| Accounts receivable | 250 | 1,214 |
| Unconditional promises to give, net | 62,860 | 89,685 |
| CREATE Endowment | <u>76,799</u> | <u>58,819</u> |
| Total financial assets | <u>418,764</u> | <u>383,143</u> |
| Less amounts not available to be used within one year: | | |
| Quasi endowment established by the board | 76,799 | 58,819 |
| Net assets with donor restrictions | <u>20,441</u> | <u>18,434</u> |
| | <u>97,240</u> | <u>77,253</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 321,524</u> | <u>\$ 305,890</u> |

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization invests its cash in excess of daily requirements in short term investments.