THE MENTORING ALLIANCE

FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Mentoring Alliance
Tyler, Texas

We have audited the accompanying financial statements of The Mentoring Alliance (Alliance) (a non-profit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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.

PROTHRO, WILHELMI AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alliance as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prothro, Wilhelmi & Company, PLLC

PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
January 6, 2020

THE MENTORING ALLIANCE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS		
Current assets:		
Cash and cash equivalents	$	2,363,970
Accounts receivable		65,393
Inventories		5,960
Prepaid expenses		11,217
Total current assets		2,446,540
Noncurrent assets:		
Beneficial interest in ETCF - quasi-endowment fund		706,499
Cash restricted for the purchase and remodel of new administrative building		1,157,201
Property and equipment, net		4,080,253
Total noncurrent assets		5,943,953
Total assets	$	8,390,493
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$	88,152
Construction accounts and retainage payable		542,318
Deferred revenue		7,748
Total liabilities		638,218
Net assets:		
Without donor restrictions		6,331,265
With donor restrictions		1,421,010
Total net assets		7,752,275
Total liabilities and net assets	$	8,390,493

See the accompanying independent auditors' report and notes to the financial statements.

THE MENTORING ALLIANCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions and support:			
Contributions	$ 1,338,967	$ 1,898,160	$ 3,237,127
Foundation grants	321,688	81,686	403,374
Special events, net of related expenses of $83,362	132,760	-	132,760
Total contributions and support	1,793,415	1,979,846	3,773,261
Program service fees:			
Boys and Girls Clubs of East Texas	1,356,757	-	1,356,757
Rose City Summer Camps	451,177	-	451,177
Total program service fees	1,807,934	-	1,807,934
Other income:			
Interest and dividends	10,283	-	10,283
Rental income	97,300	-	97,300
Loss on disposal of assets	(39,043)	-	(39,043)
Other	4,663	-	4,663
Total other income	73,203	-	73,203
Change in beneficial interest in ETCF - quasi-endowment fund	11,171	-	11,171
Total revenues, gains and other support	3,685,723	1,979,846	5,665,569
Net assets released from restrictions	1,045,220	(1,045,220)	-
Total support, revenue and net assets released from restrictions	4,730,943	934,626	5,665,569
EXPENSES			
Program services	3,108,537	-	3,108,537
Management and general	459,768	-	459,768
Fundraising	214,937	-	214,937
Total expenses	3,783,242	-	3,783,242
Change in net assets	947,701	934,626	1,882,327
NET ASSETS			
Balance, beginning of year	5,383,564	486,384	5,869,948
Balance, end of year	$ 6,331,265	$ 1,421,010	$ 7,752,275

See the accompanying independent auditors' report and notes to the financial statements.

THE MENTORING ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services				Supporting Services		
	Boys & Girls Clubs of ET	Rose City Summer Camps	Gospel Village	Total Program Service	Management and General	Fundraising	Total Expenses
Accounting	$ 5,747	$ 5,747	$ 5,747	$ 17,241	$ 16,565	$ -	$ 33,806
Bank and credit card fees	84,161	20,073	-	104,234	301	4,894	109,429
Conferences and meetings	126	-	3,087	3,213	2,343	55	5,611
Depreciation	58,190	58,190	58,191	174,571	1,983	-	176,554
Employee benefits	35,811	11,677	37,046	84,534	46,791	9,125	140,450
Insurance	15,206	15,206	15,206	45,618	461	-	46,079
Information technology	3,463	130	2,685	6,278	29,611	1,376	37,265
Licenses and registrations	1,265	-	-	1,265	-	-	1,265
Marketing	24,690	20,484	22,244	67,418	-	12,969	80,387
Occupancy	26,725	26,725	26,725	80,175	809	-	80,984
Office	8,788	1,354	1,564	11,706	23,726	4,093	39,525
Other payroll	8,401	5,957	1,433	15,791	8,287	339	24,417
Payroll taxes	75,079	27,108	21,710	123,897	40,783	6,817	171,497
Postage	99	-	270	369	1,027	2,060	3,456
Printing	14,944	9,468	5,841	30,253	7,948	4,946	43,147
Professional fees	21,000	10,500	13,759	45,259	28,175	-	73,434
Program supplies / meals / other	50,488	44,332	42,277	137,097	-	-	137,097
Retirement	6,822	1,974	3,044	11,840	8,235	1,248	21,323
Salaries / wages	1,123,260	504,880	403,428	2,031,568	188,195	163,595	2,383,358
Staff and volunteer training	26,426	21,040	18,672	66,138	38,309	1,376	105,823
Telephone and communications	15,822	1,303	4,730	21,855	13,630	1,280	36,765
Travel and recruitment	5,982	7,231	15,004	28,217	2,589	764	31,570
Total expenses	$ 1,612,495	$ 793,379	$ 702,663	$ 3,108,537	$ 459,768	$ 214,937	$ 3,783,242

See the accompanying independent auditors' report and notes to the financial statements.

THE MENTORING ALLIANCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$	1,882,327
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		176,554
Loss on disposal of assets		39,043
Contribution revenue restricted for new administrative building		(1,426,650)
Change in beneficial interest in ETCF quasi-endowment		(11,171)
Increase in operating assets:		
Accounts receivable		(56,809)
Inventories		(5,960)
Prepaid expenses		(3,863)
Increase in operating liabilities:		
Accounts payable and accrued liabilities		83,072
Deferred revenue		7,748
Total adjustments		(1,198,036)
Net cash provided by operating activities		684,291
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures		(596,295)
Proceeds from sale of assets		100
Contributions to beneficial interest in ETCF quasi-endowment		(600,000)
Net cash used in investing activities		(1,196,195)
CASH FLOW FROM FINANCING ACTIVITIES:		
Contributions received for new administrative building		1,426,650
Net cash provided by financing activities		1,426,650
Net increase in cash and cash equivalents		914,746
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR		2,606,425
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$	3,521,171
RECONCILIATION TO STATEMENT OF FINANCIAL POSITION:		
Cash restricted for the purchase and remodel of new administrative building	$	1,157,201
Cash and cash equivalents		2,363,970
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - STATEMENT OF CASH FLOWS	$	3,521,171
NONCASH FINANCING AND INVESTING ACTIVITIES:		
Capital expenditures included in construction accounts and retainage payable	$	542,318

See the accompanying indendent auditors' report and notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGINAZITION AND NATURE OF ACTIVITIES

The Alliance was established in 1994 and is headquartered in Tyler, Texas. The mission of The Mentoring Alliance (Alliance) is to mobilize godly people into the lives of kids and families, and to provide tangible help and eternal hope. The Alliance relies on local support through grants, donations, and charges for services. It operates three divisions identified as the Boys & Girls Clubs of East Texas, Rose City Summer Camps, and Gospel Village.

Boys & Girls Clubs of East Texas (BGCET) provides quality after-school care primarily for kindergarten through fifth grade students, as well as certain middle school students, at locations all of which are located in the Smith County, Texas vicinity.

Rose City Summer Camps (RCSC) is designed to create an experience that is not only fun and active, but also designed to help students stay engaged academically and close that "summer gap" to ensure they are ready for the next school year. RCSC operates in two facilities in Tyler, Texas.

Gospel Village connects godly people from local churches with students from local schools in mutually transforming mentoring relationships with its operations principally in Smith County, Texas.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In August 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*" (Topic 958). The ASU was adopted by the Alliance in the year ended June 30, 2019. The ASU required significant changes to the financial reporting model, including moving from three classes of net assets down to two classes: net assets with donor restrictions and net assets without donor restrictions and expanded disclosures concerning expenses and liquidity. The ASU also requires changes to the way certain information is aggregated and reported.

In November 2016, The FASB issued ASU No. 2016-18, "*Statement of Cash Flows*" (Topic 230). The provisions of this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The provisions of this update do not provide a definition of restricted cash or restricted cash equivalents. The provisions of this update are effective for fiscal years beginning after December 15, 2018 and should be applied using a retrospective transition method for each period presented. The Alliance has elected early adoption of this guidance for the fiscal year ending June 30, 2019.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING

The Alliance's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses as of the dates and for the periods presented. Actual results could differ from these estimates.

FINANCIAL STATEMENT PRESENTATION

In accordance with the FASB's Accounting Standards Codification (ASC) No. 958-205, "*Not-for-Profit Entities, Presentation of Financial Statements*", the Alliance is required to reports its information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

- Net Assets Without Donor Restrictions are net assets that are not subject to or are no longer subject to donor-imposed stipulations.
- Net Assets With Donor Restrictions are net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Alliance has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Alliance considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Cash restricted by donors for the purchase and remodel of a new administrative building undergoing remodeling which totaled $1,157,201 as of June 30, 2019 is not available for operating purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ACCOUNTS RECEIVABLE

The Alliance's accounts receivable consists primarily of fee income receivable. Management considers all accounts receivable to be fully collectible; accordingly, there is no allowance for doubtful accounts as of June 30, 2019.

UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are recorded when pledged. The Alliance has no unconditional promises to give as of June 30, 2019.

INVENTORIES

The Alliance's inventories consist of RCSC store merchandise and are measured at the lower of cost or market on a first-in, first-out basis.

BENEFICIAL INTEREST IN EAST TEXAS COMMUNITIES FOUNDATION

The Alliance's board of directors has established a quasi-endowment fund with East Texas Communities Foundation (ETCF). The Alliance has not granted variance power to ETCF. The Alliance records the activity, including changes in the underlying values of investments held by ETCF, in its beneficial interest in ETCF in accordance with guidance codified ASC No. 958-605.

PROPERTY, PLANT, AND EQUIPMENT

The Alliance generally capitalized property and equipment with an estimated useful life over one year. Equipment and furniture are stated at cost, or if donated, at fair market value at the date of donation. Absent donor stipulations regarding how long those donated assets must be maintained, the Alliance reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Land	Not depreciable
Buildings	20 years
Furniture and equipment	3 to 7 years
Recreation equipment	3 to 7 years
Autos	5 years

DEFERRED REVENUE

The Alliance's deferred revenue consists of revenue for which cash has been received but not earned. Deferred revenues consisted of deferred rental income of $7,748 as of June 30, 2019.

FEE REVENUE

The Alliance records fee revenue form its program services as services are rendered. Fee revenue is recorded net of discounts and scholarships, which are based upon need.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CONTRIBUTIONS

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

CONTRIBUTED SERVICES

The Alliance receives volunteer services from many individuals in performing a variety of tasks that assist the Alliance, but these services do not meet the criteria for recognition as contributed services. According, no amounts have been reflected in the financial statements for donated services. The Alliance generally pays for services requiring specific expertise.

USE OF FACILITIES

BGCET uses certain facilities of certain local school districts in order to provide quality after-school care and to supplement academic instruction. In addition, the RCSC program utilizes two local district facilities in order to provide summer programs and in-depth academic instruction which is performed by accredited teachers. The Alliance monitors certain metrics to ensure academic and behavioral improvements are noted in the district's student population as a result of attendance in these programs. The Alliance has not determined the value of the facilities provided by the districts as they are considered to be costs related to its ongoing academic activities.

ADVERTISING COSTS

All advertising costs are expensed when incurred. Advertising expense for the year ended June 30, 2019 was $80,387.

ALLOCATION OF COSTS

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation on actual or estimated time employees spend on each function. Other expenses include occupancy, depreciation, and other costs which are specifically allocated whenever practical or are allocated based on management's estimates.

INCOME TAXES

The Alliance has been granted tax-exempt status by the Internal Revenue Code Section 501(c)(3) and classified by the Internal Revenue Service (IRS) as other than a private foundation. Accordingly, no provision for federal income taxes has been recorded in the accompanying financial statements. The Alliance believes it has filed all required tax reports and has no material uncertain tax positions. The Alliance's federal form 990s remain open for examination by the IRS from 2015 through 2018 (fiscal years ended June 30, 2016 through June 30, 2019).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NEW ACCOUNTING GUIDANCE NOT YET ADOPTED

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers*" (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. This standard is effective for fiscal years beginning after December 15, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The Alliance is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures. The Alliance has not yet selected a transition method, nor has it determined the effect of the standard on its ongoing financial reporting.

In February 2016, the FASB issued ASU No. 2016-02, "*Leases*" (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- Lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Additional qualitative and quantitative disclosures will be required so users can understand more about the nature of an entity's leasing activities. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Lessees (for financing and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented.

The FASB has officially voted to approve delaying the effective date for this standard from December 15, 2019 to December 15, 2020, although no ASU has been formally issued as of December 20, 2019. The Alliance is currently evaluating the potential impact of adopting this guidance on its financial statements.

NOTE 2 –BENEFICIAL INTEREST IN ETCF – QUASI-ENDOWMENT

The Alliance's board of directors has established a quasi-endowment with the ETCF. The Alliance's endowment is designated by the Board of Directors (Board) to support future operations. As of and for the year ended June 30, 2019, the Alliance's quasi-endowment is classified as net assets without donor restrictions.

Investment Return Objectives, Risk Parameters, and Strategies

The Alliance has adopted board-approved investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment fund while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income and capital appreciation, in excess of the annual distribution within acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities. The asset mix is intended to result in a consistent, inflation-protected rate of return with sufficient liquidity to make an annual distribution of five percent, while growing the funds, if possible. The endowment is invested in a moderate investment portfolio, which has a target allocation of sixty percent equities and forty percent fixed income.

Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to limit the fund's exposure to unacceptable levels of risk.

Spending Policy

ETCF may annually distribute to the Alliance up to five percent of the value of the fund as of the preceding December 31. Any portion of the distribution not withdrawn by the Alliance in one year may be withdrawn in a subsequent year. In addition to ordinary distributions, extraordinary distributions to the Alliance may be made from the fund at any time if requested by a two-thirds vote of the total number of directors of the Alliance and approved by a majority vote of the Board of Directors of the ETCF.

NOTE 3 –PROPERTY AND EQUIPMENT

The composition of property and equipment at June 30, 2019, is as follows:

Land	$ 65,996
Building and improvements	3,284,021
Office furniture and fixtures	135,575
Machinery and equipment	143,327
Website design	13,050
Construction in-progress	2,637,506
Subtotal	6,279,475
Less: Accumulated depreciation	(2,199,222)
Property and equipment, net of depreciation	$ 4,080,253

Depreciation recorded for the year ended June 30, 2019 was $176,554.

On June 15, 2018, the Alliance acquired an existing building as the site for the Alliance's new administrative building. Building renovation is in-progress and the costs of the building and improvements to date are included in construction in-progress as of June 30, 2019. Subsequent to year end, the building renovation was completed in September 2019 and the Alliance moved its administrative operations to the new facility.

NOTE 4 – NET ASSET RESTRICTIONS

The Alliance's net assets with donor restrictions is summarized below for the year ended June 30, 2019:

	2018	Contributions	Released	2019
Capital campaign	$ 320,462	$ 1,426,650	$ (589,911)	$ 1,157,201
Scholarships	7,432	4,500	-	11,932
Health & wellness activities	-	65,000	(32,558)	32,442
BTH building project	-	70,000	(70,000)	-
Gospel Village	-	14,686	(14,686)	-
Rose City Summer Camps	-	249,010	(174,010)	75,000
Special projects	100,000	150,000	(105,565)	144,435
Women's Fund	50,000	-	(50,000)	-
Other	8,490	-	(8,490)	-
Total	$ 486,384	$ 1,979,846	$ (1,045,220)	$ 1,421,010

NOTE 4 – NET ASSET RESTRICTIONS (continued)

As further discussed above in Note 3, the Alliance's board of directors has established a quasi-endowment fund with ETCF to support operations. The balance of this board designation is $706,499 as of June 30, 2019.

NOTE 5 – AVAILABILITY OF FINANCIAL ASSETS

The Alliance has a policy to structure its assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Alliance holds investments that may be liquidated in the event of an unanticipated need.

The Alliance's financial assets, available within one year of the balance sheet date for general expenditure are as follows:

Financial assets, at year end	$4,293,063
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restrictions by donors with time or purpose restrictions	1,421,010
Board designations:	
Quasi-endowment fund, primarily for long-term investing	706,499
Financial assets available to meet cash needs for general expenditures within one year	$2,165,554

NOTE 6 –FAIR VALUE MEASUREMENTS

In accordance with ASC 820, *"Fair Value Measurements"*, the Alliance uses the following hierarchical disclosure framework:

Level 1 – Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2 – Measurement based upon marketplace inputs (other than Level 1) that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Measurement based on the Alliance's assumptions about hypothetical marketplace because observable market inputs are not available as of the reporting date.

NOTE 6 –FAIR VALUE MEASUREMENTS (continued)

The Alliance uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets and liabilities.

Change in Valuation Hierarchy Level

Prior to June 30, 2019, the Alliance considered its beneficial interest in ETCF as a Level 1 investment, as the assets held by ETCF are generally Level 1 assets. During the year ended June 30, 2019, the Alliance changed its classification from Level 1 to Level 3 to reflect that the Alliance is not directly holding Level 1 assets but instead is holding an interest in the net assets of the ETCF. The classification is more consistent with guidance codified in ASC 820-10-35-58, "*Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).*"

The following summarizes investment valuation methods:

Beneficial interest in ETCF –
The Beneficial interest in ETCF has been valued, as a practical expedient, at the fair value of the Alliance's share of ETCF's investment pool as of the measurement date.

Fair values of assets measured at June 30, 2019 are as follows:

	Fair Value Measurements at the End of the Reporting Period Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Recurring fair value measurements:				
Beneficial interest in ETCF-quasi-endowment fund	$ -	$ -	$ 706,499	$ 706,499
Total recurring fair value measurements	$ -	$ -	$ 706,499	$ 706,499

NOTE 6 –FAIR VALUE MEASUREMENTS (continued)

The following summarizes the changes in Level 3 fair value measurements for the year ended June 30, 2019:

	Beneficial Interest in ETCF Level 3
Balance, beginning of the year	$ -
Reclassification from Level 1	95,328
Balance, beginning of the year, as reclassified	95,328
Board contributions	600,000
Interest and dividends	3,599
Net realized and unrealized gain	9,686
Distributions	-
Investment and administrative expenses	(2,114)
Balance, end of year	$ 706,499

NOTE 7 –FUNDRAISING ACTIVITIES

The schedule below represents the special events held by the Alliance as of June 30, 2019:

Special Event	Income	Expenses	Net Proceeds
Golf tournament	$ 145,791	$ 49,515	$ 96,276
The Mentoring Alliance luncheon	39,350	15,145	24,205
Day for Kids	31,081	18,802	12,279
Total special events	$ 216,222	$ 83,462	$ 132,760

NOTE 8 - RETIREMENT PLAN

In 2014, the Alliance adopted a tax-qualified, defined contribution pension account, as defined in subsection 401(k) of the Internal Revenue Code, covering all eligible employees. In January 2016, the plan was revised to include a "Safe Harbor Provision" to encourage more participation in the plan. Under this revision, the Alliance matches one hundred percent of each participant's contributions up to three percent of salary plus an additional match of fifty percent of each participant's contributions up to five percent of salary. Thus, a participant who is making a contribution of five percent will have a total match of four percent from The Alliance. Another change as part of the Safe Harbor Provision is that all employer contributions are immediately one hundred percent vested by each participant. The Alliance expensed a total of $21,323 for the year ended June 30, 2019.

NOTE 9 – LEASE INCOME

The Alliance, as lessor, assumed a lease with a tenant in conjunction with the purchase of the new administrative building on June 15, 2018. Monthly lease payments were $1,748 per month through July 2019, at which time both parties agreed to cancel the lease prior to expiration without additional consideration.

The Alliance, as lessor, entered into a three-year operating lease agreement for the use of the old administrative building. The lease calls for initial monthly rents of $4,000 with annual escalations. The lease commenced on July 1, 2019.

Future minimum lease payments to the Alliance under this operating lease is as follows:

Future Minimum Lease Payments		
2020	$	49,748
2021		60,000
2022		72,000
	$	181,748

NOTE 10 – CONCENTRATIONS

Periodically, the Alliance has cash on deposit at banks in excess of federally insured limits. As of June 30, 2019, $1,083,565 of the Alliance's cash and cash equivalents exceeded the insured limits.

As further described in Notes 3 and 5, the Alliance's quasi-endowment is held by ETCF.

Approximately thirty-one percent of the Alliance's revenues, gains and support are received from charges for services. Additionally, the majority of the Alliance's revenue is received from customers and donors residing in the Smith County, Texas area.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 6, 2020, the date that the financial statements were available to be issued.