Consolidated Financial Statements
August 31, 2020 and 2019

Sherwood and Myrtie Foster's Home for Children, Inc.

Independent Auditor's Report 1

Financial Statements

Consolidated Statements of Financial Position 3
Consolidated Statements of Activities 4
Consolidated Statements of Functional Expenses 6
Consolidated Statements of Cash Flows 7
Notes to Consolidated Financial Statements 8

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
Sherwood and Myrtie Foster's Home for Children, Inc.
Stephenville, Texas

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Sherwood and Myrtie Foster's Home for Children, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of August 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

What inspires you, inspires us. | eidebailly.com

400 Pine St., Ste. 600 | Abilene, TX 79601-5190 | T 325.672.4000 | TF 800.588.2525 | F 325.672.7049 | EOE

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sherwood and Myrtie Foster's Home for Children, Inc. as of August 31, 2020 and 2019, 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.

Eide Bailly LLP

Abilene, Texas
December 4, 2020

	2020			2019
	Home Operations	Foundation	Consolidated Total	Consolidated Total
Assets				
Cash and cash equivalents	$ 1,533,285	$ 366,909	$ 1,900,194	$ 1,607,389
Investments	451,686	13,275,355	13,727,041	12,655,659
Assets held in charitable remainder trusts	-	37,968	37,968	38,307
Funds held for the benefit of children	18,488	-	18,488	18,488
Receivables, net of allowance	124,244	6,709	130,953	113,816
Prepaid expenses and other current assets	1,587	-	1,587	7,374
Land, buildings and equipment, net	9,188,359	-	9,188,359	9,014,068
	$ 11,317,649	$ 13,686,941	$ 25,004,590	$ 23,455,101
Liabilities and Net Assets				
Liabilities				
Accounts payable	$ 61,119	$ -	$ 61,119	$ 66,712
Accrued liabilities	29,985	3,210	33,195	31,863
Funds held for the benefit of children	13,429	-	13,429	10,257
Liability under charitable remainder trust agreements	-	22,843	22,843	23,182
Annuities payable	-	568,225	568,225	624,428
Total liabilities	104,533	594,278	698,811	756,442
Net Assets				
Without Donor Restrictions				
Undesignated	11,206,843	12,852,088	24,058,931	20,910,017
Designated for scholarships	-	45,540	45,540	45,540
With Donor Restrictions				
Scholarships	-	179,910	179,910	176,295
Various	6,273	-	6,273	2,652
2020 capital campaign	-	-	-	1,549,030
Charitable remainder trusts	-	15,125	15,125	15,125
Total net assets	11,213,116	13,092,663	24,305,779	22,698,659
	$ 11,317,649	$ 13,686,941	$ 25,004,590	$ 23,455,101

	2020			2019
	Home Operations	Foundation	Consolidated Total	Consolidated Total
Changes in net assets without donor restrictions				
Revenues, gains and other support				
Contributions				
Churches	$ 477,652	$ -	$ 477,652	$ 535,503
Individuals and other organizations	1,205,148	14,597	1,219,745	2,211,320
Noncash	53,676	-	53,676	168,481
Wills and estates	498,125	-	498,125	151,394
Fundraising appeals	383,192	-	383,192	318,975
PPP loan forgiveness	411,500		411,500	-
Contracted services				
Child care revenues	1,054,812	-	1,054,812	1,100,048
Investment income				
Net investment return	11,213	379,047	390,260	309,360
Real estate rental income	7,850	-	7,850	6,600
Oil royalties	-	162,847	162,847	138,661
Realized and unrealized gains (losses) on investments	153,404	775,429	928,833	(155,045)
Other income	4,294	-	4,294	4,489
Gain on sale of property	12,997	-	12,997	5,987
Net assets released from restrictions	1,655,648	-	1,655,648	1,043,596
Total revenues, gains and other support	5,929,511	1,331,920	7,261,431	5,839,369
Expenses and losses				
Children's services- Stephenville				
Direct care	2,119,731	-	2,119,731	1,788,641
Campus operation	1,050,118	-	1,050,118	883,388
Foster care	191,512	-	191,512	214,019
Scholarship expense	-	-	-	9,260
General operating expenses	193,967	197,366	391,333	515,843
Financial development services	344,252	-	344,252	299,422
Change in value of split interest agreements	-	15,272	15,272	43,600
Total expenses and losses	3,899,580	212,638	4,112,218	3,754,173
Change in net assets without donor restrictions	2,029,931	1,119,282	3,149,213	2,085,196

	2020			2019
	Home Operations	Foundation	Consolidated Total	Consolidated Total
Changes in net assets with donor restrictions				
Net investment return- scholarship restrictions	-	6,206	6,206	7,832
Contributions restricted for various purposes	73,655	-	73,655	52,365
Contributions restricted for the 2020 capital campaign	36,585	-	36,585	136,503
Realized and unrealized gains (losses) on investments- scholarship	-	(2,891)	(2,891)	(1,149)
Net assets released from restrictions	(1,655,648)	-	(1,655,648)	(1,043,596)
Change in net assets with donor restrictions	(1,545,408)	3,315	(1,542,093)	(848,045)
Change in net assets	484,523	1,122,597	1,607,120	1,237,151
Transfers between consolidated organizations	31,547	(31,547)	-	-
Net assets, beginning of year	10,697,046	12,001,613	22,698,659	21,461,508
Net assets, end of year	$ 11,213,116	$ 13,092,663	$ 24,305,779	$ 22,698,659

	2020			2019
	Home Operations	Foundation	Consolidated Total	Consolidated Total
Children's services- Stephenville				
Salaries, wages and benefits	$ 1,751,974	$ -	$ 1,751,974	$ 1,465,477
Food, clothing, medical care	149,895	-	149,895	153,773
Supplies and travel	252,836	-	252,836	182,319
Services and professional fees	164,525	-	164,525	145,563
Liability and property insurance	189,798	-	189,798	152,354
Repairs/maintenance and vehicle expense	77,350	-	77,350	91,794
Office and occupancy	208,190	-	208,190	197,574
Foster care pass through	105,245	-	105,245	105,680
Depreciation	461,548	-	461,548	391,514
Total expenses	$ 3,361,361	$ -	$ 3,361,361	$ 2,886,048
General operating expenses				
Salaries, wages and benefits	$ 123,588	$ 173,893	$ 297,481	$ 415,426
Supplies and travel	22,183	4,359	26,542	39,344
Services and professional fees	26,012	11,145	37,157	38,572
Liability insurance	4,404	-	4,404	4,580
Office and occupancy	395	2,137	2,532	1,594
Property tax	10	5,832	5,842	12,380
Miscellaneous	15,812	-	15,812	3,912
Interest	1,563	-	1,563	35
Total expenses	$ 193,967	$ 197,366	$ 391,333	$ 515,843
Financial development services				
Salaries, wages and benefits	$ 243,175	$ -	$ 243,175	$ 223,339
Supplies and travel	81,182	-	81,182	69,985
Special events	12,500	-	12,500	-
Services and professional fees	5,265	-	5,265	4,355
Office and occupancy	2,130	-	2,130	1,743
Total expenses	$ 344,252	$ -	$ 344,252	$ 299,422

	2020			2019
	Home Operations	Foundation	Consolidated Total	Consolidated Total
Operating activities				
Change in net assets	$ 484,523	$ 1,122,597	$ 1,607,120	$ 1,237,151
Net transfers between consolidated organizations	31,547	(31,547)	-	-
Adjustments to reconcile change in net assets to net cash from operating activities				
Depreciation	461,548	-	461,548	391,514
Realized and unrealized (gains) losses on investments	(153,404)	(772,538)	(925,942)	156,194
(Gain) loss on sale of assets	(12,997)	-	(12,997)	(5,987)
Change in value of split interest agreements	-	15,272	15,272	43,600
Noncash contributions	(53,676)	-	(53,676)	(168,481)
Contributions restricted for capital improvements	(36,585)	-	(36,585)	(136,503)
(Increase) decrease in receivables	(31,780)	13,643	(18,137)	(24,246)
(Increase) decrease in prepaid expenses/other assets	5,787	-	5,787	(7,374)
Increase (decrease) in accounts payable	(5,593)	-	(5,593)	(11,054)
Increase (decrease) in accrued liabilities	7,804	(3,300)	4,504	(10,186)
Net cash from operating activities	697,174	344,127	1,041,301	1,464,628
Investing activities				
Purchase of equipment and building construction	(649,518)	-	(649,518)	(1,839,621)
Proceeds from sale of property	80,352	-	80,352	20,750
Payments received on notes receivable	1,000	-	1,000	1,000
Proceeds from the sale of investments	375,217	359,153	734,370	9,454,371
Purchase of investments	(36,585)	(842,886)	(879,471)	(9,273,765)
Net cash used for investing activities	(229,534)	(483,733)	(713,267)	(1,637,265)
Financing activities				
Contributions restricted for capital improvements	36,585	-	36,585	136,503
Payments on split interest obligations	-	(71,814)	(71,814)	(96,797)
Net cash from (used for) financing activities	36,585	(71,814)	(35,229)	39,706
Net change in cash and cash equivalents	504,225	(211,420)	292,805	(132,931)
Cash and cash equivalents, beginning of year	1,029,060	578,329	1,607,389	1,740,320
Cash and cash equivalents, end of year	$ 1,533,285	$ 366,909	$ 1,900,194	$ 1,607,389
Noncash investing activities				
Noncash contribution of vehicles and building	$ 53,676	$ -	$ 53,676	$ 75,060

Note 1 - Summary of Significant Accounting Policies

A summary of Sherwood and Myrtie Foster's Home for Children, Inc.'s (the Home) significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Nature of Activities

Sherwood and Myrtie Foster's Home for Children, Inc. was established in 1959 under the oversight of the Boles Home for Children. The Home incorporated and became independent of the Boles Home in January 1972, and a separate board of directors was appointed. The Home is a tax-exempt organization under Internal Revenue Code 501(c)(3).

The Foster's Home Foundation (the Foundation) is a non-profit foundation closely associated with the Sherwood and Myrtie Foster's Home for Children, Inc. The Foundation became an affiliated organization with the board of directors appointed by the Home. Most of the Foundation's board members are also members of the Home's board of directors. The Home also has an economic interest in the Foundation.

Consolidation

The accompanying consolidated financial statements include the financial position, activities and cash flows of Sherwood and Myrtie Foster's Home for Children, Inc. and its affiliate, Foster's Home Foundation. The consolidated entity herein will be referred to as the Organization. All significant interrelated accounts and transactions have been eliminated in the consolidated financial statements.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis. Under this basis of accounting, revenue is recognized when earned, and expenses are recognized when incurred.

Basis of Presentation

The focus of these financial statements is to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of revenues, expenses, gains and losses into two classes of net assets – net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions. The board of directors has designated, from net assets without donor restrictions, net assets for a scholarship fund.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. These result in reclassification from net assets with donor restrictions to net assets without donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. 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 temporary restrictions on 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.

Revenues

The Organization reports gifts of cash and other assets as restricted support 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 restriction and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net assets with donor restrictions class, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Board designated net assets without donor restrictions have been invested in an investment portfolio specifically for scholarships for children who have lived at Foster's Home for Children. The restricted amounts included in the portfolio are original gifts intended to be held in perpetuity. It is the donors' and the Board's intent that only the scholarship portfolio investment earnings are to be used for the scholarships.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers all investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in debt and equity securities are recorded at fair value. The estimated fair value of debt and equity securities is based on quoted market prices. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the same reporting period in which the income and gains are recognized. Investments in mineral interests are recorded at cost.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. The Organization often receives intentions to give, which are not considered promises to give and thus, intentions to give are not recorded as revenue until the contribution is received in cash. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved.

Accounts Receivable

Accounts receivable includes amounts receivable from parents or state agencies for child care services provided. Provision for bad debts on accounts receivable is made in amounts required to maintain adequate reserves to cover anticipated losses based on historical collection ratios and analysis of aged accounts receivable. Accounts are charged off against the reserve when they are determined to be uncollectible.

Property, Plant and Equipment

Property, plant and equipment were recorded in the financial statements of the Home beginning in January 1972 when the Home became an independent organization. The estimated fair value was used to record fixed assets acquired prior to 1972. Since that date, acquisitions of property, plant and equipment have been recorded at cost, or at estimated fair value for donated property or equipment. The Organization's policy is to capitalize assets which cost $5,000 or more and have a useful life of one year or more.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings and improvements	10-40
Furniture and fixtures	10
Equipment	5-10
Vehicles	5

Use of Estimates

The preparation of consolidated 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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Income Taxes

The Home and Foundation are organized as Texas nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Sections 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction under Sections 170(b)(1)(A)(vi) and (viii), and have been determined not to be private foundations under Sections 509(a)(1) and (3), respectively. The Home and the Foundation are subject to federal income tax on net unrelated business taxable income. There was no unrelated business taxable net income for the fiscal years ended August 31, 2020 and 2019. The Home and Foundation are required to annually file a Form 990 with the Internal Revenue Service.

Management believes that each entity has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Annuities Payable

Annuities payable represent the present value of future payments to be made to annuitants using a discount rate of 6%.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Certain joint expenses, such as insurance, employee benefits, and payroll, are allocated among the program and supporting services to which they relate. The basis of allocation is based on employees' time incurred or other appropriate usage factors.

Subsequent Events

The Organization has evaluated subsequent events through December 4, 2020, the date the consolidated financial statements were available to be issued.

Accounting Pronouncement Adopted

As of September 1, 2019, the Organization adopted the provisions of Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard assists the Organization in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position, comprise the following:

	2020	2019
Cash and cash equivalents	$ 1,900,194	$ 1,607,389
Investments	13,247,391	12,179,624
Receivables, net of allowance	130,953	113,816
	$ 15,278,538	$ 13,900,829

The Organization regularly monitors the availability of resources required to meet its operating needs. For purpose of analyzing resources available to meet general expenditures within one year of the statement of financial position date, the Organization considers all expenditures related to its ongoing programmatic activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

Note 3 - Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at August 31, 2020 and 2019:

	2020	2019
Unexpended scholarship income	$ 138,910	$ 135,295
Various	6,273	2,652
2020 capital campaign	-	1,549,030
Charitable remainder trust	15,125	15,125
Scholarship endowment	41,000	41,000
	$ 201,308	$ 1,743,102

Note 4 - Net Assets Released from Restriction

Net assets were released from restriction for the years ended August 31, 2020 and 2019, by incurring expenses satisfying the following donor restrictions:

	2020	2019
Released from Restriction		
Scholarships	$ -	$ 7,637
2020 capital campaign	1,585,615	984,711
Ag program	23,089	9,785
Hospitality house renovation	-	1,535
Christmas gifts	20,675	37,580
Achiever's Program	1,269	2,348
Challenge course	25,000	-
	$ 1,655,648	$ 1,043,596

The 2020 capital campaign began a few years ago with the vision of serving more children, enlarging a program to serve 18-22 year old young adults, restore various elements of an aging campus, securing scholarship funds for graduates, enlarge the Mabee Health, Education and Services Center, secure additional acreage for expansion and securing commitments to planned gifts. The restrictions were released in fiscal year 2020, as the assets were completed and placed into service.

Note 5 - Mineral Royalty Interests in Oil Leases

The Sherwood and Myrtie Foster's Home for Children transferred the mineral royalty interests in real estate located in Ector County, Texas to the Foundation during the year ended August 31, 2002. The value of the transfer, $299,740, was based upon the Ector County tax appraisal statements for 2002. A warranty deed was issued at that time granting the Foundation the ownership of the mineral interests. Neither the Foster's Home for Children nor the Foundation have ever owned the surface rights to the real estate located above these mineral interests.

Note 6 - Compensated Absences

Vacations are accrued at a rate based upon the number of years of service. A year of full-time service will yield 10 vacation days. For each five-year period of continuous service, 3 additional days are earned, with the maximum number of earned vacation time in a given year being 22 days. Three vacation days may be carried over from the previous calendar year but must be used by March 31 of the succeeding year. As of August 31, 2020 and 2019, vacation payable was $8,272 and $7,800, respectively.

Sick leave benefits are not paid to employees upon termination of employment. As result, no accrual for sick leave is recorded.

Note 7 - Land, Buildings and Equipment

Land in use for purposes of housing children and providing work and play areas for the Organization is not included in investments but is considered property used for operations.

Land, buildings and equipment at August 31 consist of the following:

	2020	2019
Land	$ 784,857	$ 784,857
Construction in progress	78,345	1,437,785
Buildings and improvements	10,700,512	8,740,603
Furniture and fixtures	472,703	472,703
Equipment	470,054	470,054
Vehicles	700,566	729,849
	13,207,037	12,635,851
Less accumulated depreciation	(4,018,678)	(3,621,783)
Net land, buildings and equipment	$ 9,188,359	$ 9,014,068

Depreciation expense for the years ended August 31, 2020 and 2019, was $461,548 and $391,514, respectively.

Note 8 - Intercompany Transactions

Income allocations for monthly support and payments of expenses on behalf of the Home by the Foundation totaled $518,000 and $518,001 for the years ended August 31, 2020 and 2019, respectively. These transactions were eliminated in the consolidation of the financial statements.

The Board of Directors of the Home has adopted a policy allowing unrestricted bequests of $25,000 or less to be utilized for operations of the Home while all unrestricted bequests in excess of $25,000 would be held subject to specific direction by the Board. The board-designated transfers to the Foundation from the Home are intended to be retained and invested to provide endowment income support for the Home for future years. The Home transferred $486,453 and $1,268,326 in contributions to the Foundation for the years ended August 31, 2020 and 2019, respectively.

Note 9 - Pension Trust

In 1972, the Home established a qualified defined contribution pension plan and trust that includes essentially all employees in the child care services, age 19 and over, who have attained one month of service. If employees during the year are no longer employed at the valuation date, December 31, but have 500 hours of service for the calendar year, their salaries are considered in the participant allocations. The Home contributes an amount equivalent to 8% of the annual compensation paid to participants. The plan has been amended to incorporate recent law requirements and legal mandates. Employer contributions vest to the participating employees over 6 service years (over 1,000 hours worked in a service year) of employment as follows:

Years of Service	Percentage Vested
0-1	0%
2	20%
3	40%
4	60%
5	80%
6	100%

During January 2009, the Home converted its existing pension plan to a 401k plan using a third-party servicer, Principal Financial Group. Contributions to the plan as of August 31, 2020 and 2019, totaled $125,124 and $119,781, respectively. As of August 31, 2020 and 2019, the estimated retirement accrual not yet deposited to the Plan's trust was $21,713 and $17,553, respectively.

Note 10 - Investments

The Home's investment portfolio consisted of the following as of August 31, 2020 and 2019:

	Fair Value	
	2020	2019
Certificates of deposit	$ 31,919	$ 39,397
Equity securities	-	18,141
Mutual funds	419,767	579,376
Total	$ 451,686	$ 636,914

The Foundation’s investment portfolio consisted of the following as of August 31, 2020 and 2019:

	Fair Value 2020	Fair Value 2019
Money market	$ 26,286	$ 25,648
Mutual funds	12,750,246	11,434,226
Corporate bonds	48,283	52,129
Equity securities	150,800	165,115
Unit investment trust	-	41,887
	12,975,615	11,719,005
Oil and gas interest *	299,740	299,740
Total	$ 13,275,355	$ 12,018,745

* Oil and gas interests are recorded at cost. Cost value is reported above in fair value columns to reconcile with amounts reported in financial statements.

Note 11 - Concentration of Credit Risk

The Organization carries certain bank accounts with financial institutions which are subject to credit risk by the amount such assets exceed federal deposit insurance limits. The Organization has not experienced any losses on such accounts. Deposits subject to credit risk were $556,837 and $468,749 as of August 31, 2020 and 2019.

The accounts receivable of the Organization are primarily with governmental units and are not considered to be a significant concentration of credit risk.

Note 12 - Risks and Uncertainties

The Organization invests in various investment securities, which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect amounts reported in the accompanying consolidated financial statements.

Note 13 - Paycheck Protection Plan (PPP) Loan

The Organization was granted a $411,500 loan under the Paycheck Protection Plan (PPP) administered by a Small Business Administration (SB) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized contribution revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization has recognized $411,500 as contribution revenue for the year ended August 31, 2020.

Note 14 - Risk Management

The Organization is exposed to various risks of loss related to general liability: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; malpractice; and natural disasters. The Organization carries commercial insurance to insure against these losses.

Note 15 - Charitable Trusts and Annuities Payable

For charitable annuities for which the Foundation is trustee and beneficiary, contributions are recorded at fair value in the year of the agreement. In addition to the recording of the assets received, a liability is recorded representing the discounted future cash flows expected to the paid to the annuitant. The estimated liability of future cash flows is based upon the life expectancy of the annuitant, the contractual payout amounts and a discount rate of 6%. Annual adjustments to the annuity liability, as a result of amortization of the discount, annuity maturities and changes in the estimated life expectancies of the annuitants, are reflected as change in value of split-interest agreements in the statements of activities. Annuities payable of $568,225 and $624,428 were recorded at August 31, 2020 and 2019, respectively.

For charitable remainder trusts for which the Foundation is trustee and beneficiary, contributions are recorded at fair value in the year of the agreement and are reflected as charitable trusts in the accompanying consolidated financial statements. In addition to the recording of the assets held in trust, a liability is recorded representing the discounted future cash flows expected to be paid to the specified beneficiary designated by the donor. The estimated liability of future cash flows is based upon the life expectancy of the specified beneficiary, the current fair value of the trust, and the applicable federal rate ("AFR") related to each trust based on the AFR in effect at the date the trust was created. Investment income, payments to beneficiaries, and adjustments to the liability are reflected as changes in value of split-interest agreements in the consolidated statements of activities. The estimated liability for the future cash flows as of August 31, 2020 and 2019, was $22,843 and $23,182, respectively.

Note 16 - Fair Value Measurement

Authoritative guidance establishes a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the Organization's assumptions (unobservable inputs). Determining where an asset falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. An adjustment to the pricing method used within either Level 1 or Level 2 inputs could generate a fair value measurement that effectively falls in a lower level in the hierarchy. The hierarchy consists of the three broad levels as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities
Level 2 – Inputs other than Level 1 inputs that are either directly or indirectly observable
Level 3 – Unobservable inputs developed using the Organization's and/or third party estimates and assumptions, which reflect those that market participants would use

The determination of where an asset or liability falls within the hierarchy requires significant judgment. The Organization evaluates its hierarchy disclosures periodically and based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the Organization expects that changes in classifications between different levels will be rare.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. While management believes the Organization's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Money Market, Mutual Funds, Corporate Bonds, Equity Securities, and Fixed Income

These investments are reported at fair value utilizing Level 1 and Level 2 inputs. For these securities, the Organization obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayments speeds, credit information and the bond's terms and conditions, among other things.

The following table summarizes the Home's financial instruments measured at fair value as of August 31, 2020, based on the three-tier hierarchy:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Financial assets				
Certificate of deposit	$ -	$ 31,919	$ -	$ 31,919
Mutual funds	419,767	-	-	419,767
Total financial assets	$ 419,767	$ 31,919	$ -	$ 451,686

The following table summarizes the Home's financial instruments measured at fair value as of August 31, 2019, based on the three-tier hierarchy:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Financial assets				
Certificate of deposit	$ -	$ 39,397	$ -	$ 39,397
Equity securities	18,141	-	-	18,141
Mutual funds	579,376	-	-	579,376
Total financial assets	$ 597,517	$ 39,397	$ -	$ 636,914

The following table summarizes the Foundation’s financial instruments measured at fair value on a recurring basis as of August 31, 2020, based on the three-tier hierarchy:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Financial assets				
Money market	$ 26,286	$ -	$ -	$ 26,286
Mutual funds	12,788,214	-	-	12,788,214
Equity securities	84,300	66,500	-	150,800
Corporate bonds	-	48,283	-	48,283
	$ 12,898,800	$ 114,783	$ -	$ 13,013,583
Reported as				
Investments-only those at FV	$ 12,860,832	$ 114,783	$ -	$ 12,975,615
Charitable remainder trusts	37,968	-	-	37,968
	$ 12,898,800	$ 114,783	$ -	$ 13,013,583

The following table summarizes the Foundation’s financial instruments measured at fair value as of August 31, 2019, based on the three-tier hierarchy:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Financial assets				
Money market	$ 25,648	$ -	$ -	$ 25,648
Mutual funds	11,472,533	-	-	11,472,533
Equity securities	98,615	66,500	-	165,115
Unit investment trust	-	41,887	-	41,887
Corporate bonds	-	52,129	-	52,129
	$ 11,596,796	$ 160,516	$ -	$ 11,757,312
Reported as				
Investments-only those at FV	$ 11,558,489	$ 160,516	$ -	$ 11,719,005
Charitable remainder trusts	38,307	-	-	38,307
	$ 11,596,796	$ 160,516	$ -	$ 11,757,312

Note 17 - Endowment

The Foundation's endowment account contains individual donor restricted endowment funds established for the purpose of assisting the Home with the cost of higher education. The net assets of endowment funds are classified and reported based on the existence or absence of donor restrictions.

Interpretation of Relevant Law

The Foundation, relying on information and advice from legal counsel and appointed officers, has interpreted UPMIFA to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor direction to the contrary. As a result of this interpretation, for financial reporting purposes, the Foundation classifies as net assets with donor restrictions the historic dollar value of assets held as donor-restricted endowment, including any subsequent gifts and any accumulations to donor-restricted endowments made in accordance with the instructions of the applicable gift instruments.

All of the revenue from these funds is combined with unrestricted funds to pay for the cost of higher education. Costs for higher education have exceeded the revenue generated from this fund for every year of the fund's existence.

Endowment net assets consist of the following at August 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds			
Amount held in perpetuity	$ -	$ 41,000	$ 41,000
Unexpended accumulated gains	-	138,910	138,910
Board-designated endowment funds	45,540	-	45,540
Total endowed net assets	$ 45,540	$ 179,910	$ 225,450

Endowment net assets consist of the following at August 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds			
Amount held in perpetuity	$ -	$ 41,000	$ 41,000
Unexpended accumulated gains	-	135,295	135,295
Board-designated endowment funds	45,540	-	45,540
Total endowed net assets	$ 45,540	$ 176,295	$ 221,835

Changes in endowment net assets for the year ended August 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, August 31, 2019	$ 45,540	$ 176,295	$ 221,835
Contributions	-	300	300
Investment return			
Endowment and investment income	-	6,206	6,206
Net unrealized loss	-	(2,891)	(2,891)
Distributions and withdrawals	-	-	-
Endowment net assets, August 31, 2020	$ 45,540	$ 179,910	$ 225,450

Changes in endowment net assets for the year ended August 31, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, August 31, 2018	$ 45,540	$ 157,249	$ 202,789
Contributions	-	20,000	20,000
Investment return			
Endowment and investment income	-	7,832	7,832
Net unrealized loss	-	(1,149)	(1,149)
Distributions and withdrawals	-	(7,637)	(7,637)
Endowment net assets, August 31, 2019	$ 45,540	$ 176,295	$ 221,835

Return Objectives and Risk Parameters
The Foundation has adopted investment and spending policies that attempt to provide a predictable stream of funding for scholarships. Endowment assets are invested to yield a level of return to meet the objectives of the fund while adhering to a prudent level of risk.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield.

Spending Policy and How Investment Objectives Relate to Spending Policy
In accordance with UPMIFA, the Foundation considers the following factors in determining spending policy:

1. The duration and preservation of the endowment fund
2. The purposes of the Home and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

The spending policy of the Foundation will be reviewed periodically using the seven factors above and approved by the Board of Directors in conjunction with the annual budget. Any subsequent modifications to the spending policy will be approved by the Board of Directors. Based on market performance, distributions may vary from year to year. The Foundation appropriates funds for expenditure as they are utilized for higher education and scholarship needs.

Underwater Endowments
From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The Foundation had no underwater endowments at August 31, 2020 and 2019.

Note 18 - Related Party Transactions

Board member contributions to the Organization totaled $62,915 and $413,995 for the years ended August 31, 2020 and 2019, respectively.