



**Open Arms, Inc. dba Bryan's House
and Bryan's House Foundation**

**Consolidated Financial Statements
June 30, 2020 and 2019**

Open Arms, Inc. dba Bryan's House and Bryan's House Foundation

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Independent Auditors' Report

To the Board of Directors of
Open Arms, Inc. dba Bryan's House
and Bryan's House Foundation

We have audited the accompanying consolidated financial statements of Open Arms, Inc. dba Bryan's House and Bryan's House Foundation (nonprofit organizations), which comprise the consolidated statements of financial position as of June 30, 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Open Arms, Inc. dba Bryan's House and Bryan's House Foundation as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
January 29, 2021

Open Arms, Inc. dba Bryan's House and Bryan's House Foundation
Consolidated Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 564,269	\$ 301,566
Investments	84,699	84,156
Government grants receivable	145,284	69,832
Pledges receivable, net	283,683	406,900
Prepaid expenses	5,283	2,390
Total current assets	1,083,218	864,844
Long-term pledge receivable, net	197,981	74,552
Endowment investment	25,000	25,000
Property and equipment, net	1,859,118	1,910,070
Total assets	\$ 3,165,317	\$ 2,874,466
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 12,015	\$ 36,665
Accrued liabilities	38,980	35,473
Total current liabilities	50,995	72,138
Paycheck Protection Program loan	266,300	-
Total liabilities	317,295	72,138
Net assets:		
Without donor restrictions	2,137,647	2,262,928
With donor restrictions	710,375	539,400
Total net assets	2,848,022	2,802,328
Total liabilities and net assets	\$ 3,165,317	\$ 2,874,466

See notes to consolidated financial statements.

Open Arms, Inc. dba Bryan's House and Bryan's House Foundation
Consolidated Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 709,811	\$ 485,830	\$ 1,195,641
Government grants and contracts	500,623	-	500,623
Special event revenue, less cost of direct benefits to donors of \$7,519	176,519	-	176,519
Investment return	543	-	543
Program income	59,461	-	59,461
Other income	27,845	-	27,845
Net assets released from restrictions	314,855	(314,855)	-
Total revenue and support	1,789,657	170,975	1,960,632
Expenses:			
Program services:			
Child care	942,512	-	942,512
Social services	416,175	-	416,175
Total program services expense	1,358,687	-	1,358,687
Management and general	264,789	-	264,789
Fundraising	195,712	-	195,712
Total expenses before depreciation	1,819,188	-	1,819,188
Change in net assets before depreciation	(29,531)	170,975	141,444
Depreciation expense	(95,750)	-	(95,750)
Increase (decrease) in net assets	(125,281)	170,975	45,694
Net assets at beginning of year	2,262,928	539,400	2,802,328
Net assets at end of year	\$ 2,137,647	\$ 710,375	\$ 2,848,022

See notes to consolidated financial statements.

Open Arms, Inc. dba Bryan's House and Bryan's House Foundation
Consolidated Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 863,532	\$ 470,827	\$ 1,334,359
Government grants and contracts	528,936	-	528,936
Special event revenue, less cost of direct benefits to donors of \$31,819	181,158	-	181,158
Investment return	700	-	700
Program income	53,483	-	53,483
Other income	3,956	-	3,956
Net assets released from restrictions	451,274	(451,274)	-
Total revenue and support	2,083,039	19,553	2,102,592
Expenses:			
Program services:			
Child care	1,080,276	-	1,080,276
Social services	411,415	-	411,415
Total program services expense	1,491,691	-	1,491,691
Management and general	305,908	-	305,908
Fundraising	213,272	-	213,272
Total expenses before depreciation	2,010,871	-	2,010,871
Change in net assets before depreciation	72,168	19,553	91,721
Depreciation expense	(88,116)	-	(88,116)
Increase (decrease) in net assets	(15,948)	19,553	3,605
Net assets at beginning of year	2,278,876	519,847	2,798,723
Net assets at end of year	\$ 2,262,928	\$ 539,400	\$ 2,802,328

See notes to consolidated financial statements.

Open Arms, Inc. dba Bryan's House and Bryan's House Foundation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services		Total Program Services	Supporting Services		Total
	Child Care	Social Services		Management and General	Fundraising	
Salaries	\$ 584,225	\$ 297,598	\$ 881,823	\$ 163,976	\$ 138,952	\$ 1,184,751
Payroll taxes and benefits	152,154	59,919	212,073	31,696	21,178	264,947
Total salaries and related expenses	736,379	357,517	1,093,896	195,672	160,130	1,449,698
Bank fees	-	-	-	7,788	-	7,788
Depreciation	70,417	10,936	81,353	8,997	5,400	95,750
Equipment	18,117	2,891	21,008	1,875	1,390	24,273
Gifts in-kind	29,514	1,105	30,619	4,900	-	35,519
Miscellaneous	345	-	345	765	1,034	2,144
Network and software	5,078	2,576	7,654	4,345	3,333	15,332
Office supplies	3,689	2,875	6,564	3,388	9,945	19,897
Professional fees	449	-	449	17,005	1,320	18,774
Program and event	44,726	31,398	76,124	138	88	76,350
Public relations	851	213	1,064	3,355	5,881	10,300
Occupancy	97,066	14,796	111,862	21,581	6,441	139,884
Supplies	-	-	-	-	11,978	11,978
Travel, training and development	6,298	2,804	9,102	3,977	1,691	14,770
Total expenses by function	1,012,929	427,111	1,440,040	273,786	208,631	1,922,457
Depreciation	(70,417)	(10,936)	(81,353)	(8,997)	(5,400)	(95,750)
Cost of direct benefits to donors	-	-	-	-	(7,519)	(7,519)
Total expenses before depreciation	<u>\$ 942,512</u>	<u>\$ 416,175</u>	<u>\$ 1,358,687</u>	<u>\$ 264,789</u>	<u>\$ 195,712</u>	<u>\$ 1,819,188</u>

See notes to consolidated financial statements.

Open Arms, Inc. dba Bryan's House and Bryan's House Foundation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services		Total Program Services	Supporting Services		Total
	Child Care	Social Services		Management and General	Fundraising	
Salaries	\$ 657,690	\$ 305,912	\$ 963,602	\$ 177,942	\$ 162,094	\$ 1,303,638
Payroll taxes and benefits	193,009	54,808	247,817	28,189	24,826	300,832
Total salaries and related expenses	850,699	360,720	1,211,419	206,131	186,920	1,604,470
Bank fees	-	-	-	6,539	50	6,589
Depreciation	56,189	12,105	68,294	12,300	7,522	88,116
Equipment	15,880	2,106	17,986	3,358	1,061	22,405
Gifts in-kind	9,689	6,876	16,565	2,035	100	18,700
Miscellaneous	13	800	813	352	-	1,165
Network and software	5,848	1,097	6,945	6,164	3,942	17,051
Office supplies	4,916	958	5,874	6,022	17,435	29,331
Professional fees	7,427	39	7,466	15,830	91	23,387
Program and event	62,097	19,617	81,714	-	1,665	83,379
Public relations	10,000	-	10,000	4,732	19,471	34,203
Occupancy	103,993	14,919	118,912	17,764	6,676	143,352
Supplies	-	-	-	31,819	4,419	36,238
Travel, training and development	9,714	4,283	13,997	5,162	3,261	22,420
Total expenses by function	1,136,465	423,520	1,559,985	318,208	252,613	2,130,806
Depreciation	(56,189)	(12,105)	(68,294)	(12,300)	(7,522)	(88,116)
Cost of direct benefits to donors	-	-	-	-	(31,819)	(31,819)
Total expenses before depreciation	<u>\$ 1,080,276</u>	<u>\$ 411,415</u>	<u>\$ 1,491,691</u>	<u>\$ 305,908</u>	<u>\$ 213,272</u>	<u>\$ 2,010,871</u>

See notes to consolidated financial statements.

Open Arms, Inc. dba Bryan's House and Bryan's House Foundation
Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 45,694	\$ 3,605
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Amortization of discount on pledges receivable	763	(2,579)
Depreciation	95,750	88,116
Gain on sale of asset	-	(5,000)
Changes in assets and liabilities:		
Government grants receivable	(75,452)	52,448
Pledges receivable	(975)	(154,553)
Prepaid expenses	(2,893)	(1,178)
Accounts payable	(24,650)	(23,614)
Accrued liabilities	3,507	2,044
Net cash provided (used) by operating activities	41,744	(40,711)
Cash flows from investing activities:		
Purchases of property and equipment	(44,798)	(27,574)
Proceeds from sale of asset	-	5,000
Purchases of investments	(543)	(700)
Net cash used by investing activities	(45,341)	(23,274)
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	266,300	-
Net cash provided by financing activities	266,300	-
Change in cash	262,703	(63,985)
Cash at beginning of year	301,566	365,551
Cash at end of year	\$ 564,269	\$ 301,566

See notes to consolidated financial statements.

Open Arms, Inc. dba Bryan's House and Bryan's House Foundation

Notes to Consolidated Financial Statements

1. Organization

Open Arms, Inc. dba Bryan's House (Bryan's House) is a nonprofit organization established to respond to the needs of children and their families by providing medically-managed child care, respite care and community-based, family-centered support services in Dallas, Texas.

Bryan's House Foundation (Foundation) is a nonprofit organization established to solicit, invest and administer endowment funds to sustain the operating and capital requirements of Bryan's House.

Bryan's House and the Foundation are collectively referred to herein as the Organization. The Organization is supported primarily through contributions, grants and fundraising activities.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Organization prepares the consolidated financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Consolidated Financial Statements

In accordance with the provisions of FASB ASC 958-810 Not-for-Profit Entities/Consolidations, the financial statements of Bryan's House and the Foundation have been consolidated and all inter-organization transactions and accounts have been eliminated.

Consolidated Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net assets with donor restrictions - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a board of directors approved spending policy.

Open Arms, Inc. dba Bryan's House and Bryan's House Foundation

Notes to Consolidated Financial Statements

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses 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 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 Organization chooses to show contributions with donor restrictions whose restrictions are met in the same reporting period as contributions without donor restrictions.

Concentrations of Credit and Market Risk

Financial instruments which are potentially subject to concentrations of credit and market risk consist principally of cash, investments, government grants receivable and pledges receivable.

The Organization maintains cash at various financial institutions located in Texas. Management has placed these funds with high credit quality financial institutions to minimize risk. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020, the Organization's uninsured balances totaled \$316,020.

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

Government grants receivable and pledges receivable are unsecured and are due from various government agencies and donors. The Organization periodically evaluates the collectability of government grants receivable and pledges receivable and maintains allowances as considered necessary.

At June 30, 2020, promises to give from four donors totaled 72% of pledges receivable. At June 30, 2019, promises to give from three donors totaled 66% of pledges receivable. Grants from federal and state agencies totaled 25% and 26% of the Organization's revenue and support for the years ended June 30, 2020 and 2019, respectively.

Investments

Investments consist of money market funds carried at fair value in the consolidated statements of financial position with the related realized and unrealized gains and losses included in the accompanying consolidated statements of activities.

Open Arms, Inc. dba Bryan's House and Bryan's House Foundation

Notes to Consolidated Financial Statements

Government Grants Receivable

Government grants receivable are recorded based on the reimbursable amount incurred and are due within the next year. No allowance for doubtful accounts was considered necessary at June 30, 2020 and 2019.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at estimated fair market value at the date of the donation. The Organization capitalizes expenditures for property and equipment with a cost greater than \$2,500. Depreciation is computed using the straight-line method over estimated useful lives of 3 to 35 years. The cost of maintenance and repairs is expensed as incurred.

In accordance with GAAP, management monitors events and changes in circumstances which could indicate that the carrying value of real estate may not be recoverable. If events or changes in circumstances are present, management assesses the recoverability of real estate by determining whether the carrying value will be recovered through the undiscounted future cash flows expected to be generated from its uses and eventual disposition. If the carrying amount of the real estate exceeds its estimated undiscounted cash flows, the impairment to be recognized is measured by the amount of the carrying value of the real estate that exceeds its fair value.

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received prior to meeting measurable performance or other barriers are reported as refundable advances.

Donated materials and equipment are reflected as contributions at their estimated fair values at date of receipt. Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. Numerous individuals donate significant amounts of time to the Organization. No donated services were utilized that met the criteria to be recorded as support on the Organization's consolidated financial statements.

Open Arms, Inc. dba Bryan's House and Bryan's House Foundation

Notes to Consolidated Financial Statements

Revenue from government grants and contracts consist of cost reimbursable federal and state grants and contracts, which are generally conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized when the Organization has incurred expenditures or provided the service in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances. The Organization has been awarded cost-reimbursable grants of \$99,303 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

Fees for program services are earned and recorded when the related services are provided.

Event sponsorship revenue is recognized at the date the event occurs. Advanced payments for the event sponsorships are reported as deferred until the date of the event.

Allocation of Functional Expenses

The cost of providing the various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries, payroll taxes and benefits, which are allocated on the basis of time and effort, as well as occupancy, equipment, office supplies, network and software and depreciation, which are allocated on a square footage basis. All other expenses are directly attributable to various program services and supporting activities.

Federal Income Tax

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization had no unrelated business income for the years ended June 30, 2020 and 2019. Accordingly, no provision has been made for federal income tax in the accompanying consolidated financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax return and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2020 and 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

Open Arms, Inc. dba Bryan's House and Bryan's House Foundation

Notes to Consolidated Financial Statements

Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification.

The Organization considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization's financial position and changes in net assets.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. The standard takes effect for fiscal years beginning after December 15, 2021.

The Organization is currently assessing the impact that adopting this new guidance will have on the consolidated financial statements.

Accounting Pronouncements Adopted

The Organization adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) effective October 1, 2019, using the full retrospective method. Based on the Organization's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. Adoption on this ASU had no impact on total beginning net assets.

The Organization adopted the amendments of ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*, which provides guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Adoption of this ASU had no impact on total beginning net assets.

Open Arms, Inc. dba Bryan’s House and Bryan’s House Foundation
Notes to Consolidated Financial Statements

3. Investments

Under the fair value measurements and disclosures topic of the codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

- Level 1 Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

- Level 2 Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies;

- Level 3 Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value.

Money Market Funds

Money market funds are valued using \$1 for the net asset value and are classified within level 1 of the valuation hierarchy as the values are directly observable inputs.

4. Pledges Receivable

Pledges receivable consist of the following as of June 30:

	2020	2019
Amount due in:		
Less than one year	\$ 283,683	\$ 406,900
More than one year	201,692	77,500
Subtotal	485,375	484,400
Unamortized present value discount	(3,711)	(2,948)
	\$ 481,664	\$ 481,452

Open Arms, Inc. dba Bryan's House and Bryan's House Foundation

Notes to Consolidated Financial Statements

The discount rate used on long-term pledges was between 0.16% and 1.92% for the year ended June 30, 2020 and between 1.71% and 2.82% for the year ended June 30, 2019.

5. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 240,000	\$ 240,000
Building and improvements	2,121,190	2,121,190
Automobiles	17,653	17,653
Furniture and equipment	<u>130,869</u>	<u>91,894</u>
	2,509,712	2,470,737
Less: accumulated depreciation	<u>(650,594)</u>	<u>(560,667)</u>
	<u>\$ 1,859,118</u>	<u>\$ 1,910,070</u>

Depreciation expense for the years ended June 30, 2020 and 2019 totaled \$95,750 and \$88,116, respectively.

6. Paycheck Protection Program Loan

On April 19, 2020, the Organization entered into an unsecured loan (PPP Loan) in the aggregate amount of \$266,300 with a bank pursuant to the Paycheck Protection Program (PPP), which is sponsored by the Small Business Administration (SBA), and is part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), as amended by the Paycheck Protection Program Flexibility Act of 2020 (Flexibility Act). The PPP provides for loans to qualifying businesses, the proceeds of which may only be used for payroll costs, rent, utilities, mortgage interest, and interest on other pre-existing indebtedness (Permissible Expenses). The PPP Loan matures on April 19, 2022, bears interest at a fixed rate of 1% percent per annum and is payable in monthly installments commencing on the earlier of the date on which the amount of loan forgiveness is determined or December 5, 2020. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties. The PPP Loan, and accrued interest, may be forgiven partially or in full, if certain conditions are met. The most significant of the conditions are:

- Only amounts expended for Permissible Expenses during the eight-week or 24-week period, as elected by the Organization, following April 19, 2020 (Covered Period) are eligible for loan forgiveness. The Organization has elected a 24-week Covered Period;
- Of the total amount of Permissible Expenses for which forgiveness can be granted, at least 60% must be for payroll costs, or a proportionate reduction of the maximum loan forgiveness amount will occur; and

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Notes to Consolidated Financial Statements

- If employee headcount is reduced, or employee compensation is reduced by more than 25%, during the Covered Period, a further reduction of the maximum loan forgiveness amount will occur, subject to certain safe harbors added by the Flexibility Act.

In order to obtain forgiveness of the PPP Loan, in whole or in part, the Organization must request forgiveness and provide satisfactory documentation in accordance with applicable SBA guidelines. Any portion of the PPP Loan that is not forgiven, together with accrued interest, will be repaid based on the terms and conditions of the PPP Loan and in accordance with the PPP as amended by the Flexibility Act. The Organization has recorded the full amount of the PPP Loan as debt at June 30, 2020 and intends to reflect the benefit of any loan forgiveness when the loan forgiveness application is submitted to, and approved by, the SBA and it has reasonable assurance from the SBA that it has met the eligibility and loan forgiveness requirements of the PPP. Management of the Organization believes the entire loan amount will be forgiven.

7. Line of Credit

The Organization has a revolving line of credit with a bank. This line of credit bears interest at the prime rate plus 4.75% (8.00% at June 30, 2020). No amounts are outstanding under the line of credit as of June 30, 2020 and 2019.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes at June 30:

	<u>2020</u>	<u>2019</u>
Early childhood education	\$ 175,000	\$ -
Playground	25,000	-
Subsequent period programs	485,375	514,400
Endowment restricted in perpetuity	<u>25,000</u>	<u>25,000</u>
	<u>\$ 710,375</u>	<u>\$ 539,400</u>

Open Arms, Inc. dba Bryan's House and Bryan's House Foundation

Notes to Consolidated Financial Statements

9. Endowment Fund

The Organization's endowment consists of one donor-restricted endowment fund to support maintenance and operations. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the Texas State Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, absent explicit donor stipulation to the contrary. As a result of this interpretation, the Organization classifies as permanent endowment (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The earnings from the original gift are classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Organization, in making a determination to appropriate or accumulate donor-restricted endowment funds act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and considers if relevant, the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration of preservation of the funds
- The purposes of the Organization and the endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The Organization's investment policy

The Organization has adopted an investment policy for endowment assets. The funds shall be invested by the finance committee, after approval by the board of directors, in any of the following: cash equivalents, fixed income securities, equity securities and mutual funds. The Organization seeks to build endowment funds through additional contributions.

At June 30, 2020 and 2019, the Organization's donor-restricted endowment fund totalled \$25,000.

Open Arms, Inc. dba Bryan's House and Bryan's House Foundation

Notes to Consolidated Financial Statements

10. Government Grants and Contracts

The Organization receives funding from the federal and state government in the form of grants and contracts. The Organization is responsible for compliance with provisions of these grants and contracts. Noncompliance could result in the disallowance of expenditures and a request for reimbursement. In the opinion of the Organization's management, such disallowance, if any, would not be significant to the Organization's consolidated financial statements.

11. Donated Goods

Food, school supplies, diapers and other program items are donated to the Organization by various individuals and organizations. Donated goods amounting to \$35,519 and \$18,700 for the years ended June 30, 2020 and 2019, respectively, were recorded at fair value at the date of donation and have been included in contributions and expense in the consolidated statements of activities.

12. Operating Leases

The Organization leases one copier through a non-cancelable operating lease agreement expiring in 2024. The following is a schedule of future minimum lease payments required under this lease agreement for the years ending June 30:

2021	\$	16,039
2022		16,039
2023		16,039
2024		12,029

13. Retirement Plan

The Organization maintains a Savings Incentive Match Plan (Plan) for their employees. Substantially all employees are eligible to participate in the Plan. The Organization matches the employee's elective contribution in an amount not to exceed 3% of the employee's compensation. The Organization's contributions to the Plan totaled \$12,677 and \$9,024 for the years ended June 30, 2020 and 2019, respectively.

14. Related Party Transactions

The Organization received contributions of \$74,674 and \$81,923 during the years ended June 30, 2020 and 2019, respectively, from members of the board of directors. At June 30, 2020 and 2019, pledges receivable includes amounts due from board members totaling \$23,450 and \$75,950, respectively.

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15. Liquidity and Availability of Resources

The Organization’s financial assets available within one year of the consolidated statement of financial position date for general expenditure are as follows at June 30:

	<u>2020</u>	<u>2019</u>
Cash	\$ 564,269	\$ 301,566
Investments	109,699	109,156
Government grants receivable	145,284	69,832
Pledges receivable, net	<u>481,664</u>	<u>481,452</u>
Total financial assets	1,300,916	962,006
Less amounts not available for general expenditures within one year:		
Endowment investments restricted in perpetuity	(25,000)	(25,000)
Pledges receivable collectible beyond one year	<u>(197,981)</u>	<u>(74,552)</u>
Financial assets not available for general expenditures within one year	<u>(222,981)</u>	<u>(99,552)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,077,935</u>	<u>\$ 862,454</u>

The Organization targets to have two months general operating cash on hand. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help with unanticipated liquidity needs, the Organization has a line of credit in the amount of \$15,000 which could be drawn upon if needed in the event of unavailable financial assets.

16. Uncertainty

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The coronavirus outbreak has severely restricted the level of economic activity around the world. Given the uncertainty of the spread of the coronavirus, the related financial impact to the Organization, if any, cannot be determined at this time.

17. Subsequent Events

Management has evaluated subsequent events through the date the consolidated financial statements were available to be issued and concluded that no additional disclosures are required.