



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

**Consolidated Financial Statements
June 30, 2021 and 2020**

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, 2021 and 2020, 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.

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 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.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Sutton Frost Cary".

A Limited Liability Partnership

Arlington, Texas
April 11, 2022

Open Arms, Inc. dba Bryan's House and Bryan's House Foundation
Consolidated Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 518,561	\$ 564,269
Investments	84,974	84,699
Government grants receivable	144,847	145,284
Pledges receivable, net	201,757	283,683
Prepaid expenses	6,674	5,283
Total current assets	956,813	1,083,218
Long-term pledge receivable, net	190,202	197,981
Endowment investment	25,000	25,000
Property and equipment, net	1,790,843	1,859,118
Total assets	\$ 2,962,858	\$ 3,165,317
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 13,077	\$ 12,015
Accrued liabilities	44,545	38,980
Total current liabilities	57,622	50,995
Paycheck Protection Program loan	-	266,300
Total liabilities	57,622	317,295
Net assets:		
Without donor restrictions	2,393,277	2,137,647
With donor restrictions	511,959	710,375
Total net assets	2,905,236	2,848,022
Total liabilities and net assets	\$ 2,962,858	\$ 3,165,317

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 710,795	\$ 254,309	\$ 965,104
Government grants and contracts	597,429	-	597,429
Special event revenue, less cost of direct benefits to donors of \$5,511	77,178	-	77,178
Investment return	275	-	275
Program income	16,562	-	16,562
Other income	4,833	-	4,833
Net assets released from restrictions	452,725	(452,725)	-
Total revenue and support	1,859,797	(198,416)	1,661,381
Expenses:			
Program services:			
Child care	750,527	-	750,527
Social services	601,756	-	601,756
Total program services expense	1,352,283	-	1,352,283
Management and general	220,978	-	220,978
Fundraising	196,349	-	196,349
Total expenses before depreciation	1,769,610	-	1,769,610
Change in net assets before depreciation	90,187	(198,416)	(108,229)
Depreciation expense	(100,857)	-	(100,857)
Change in net assets from operations	(10,670)	-	(209,086)
Non-operating income:			
Forgiveness of Paycheck Protection Program loan	266,300	-	266,300
Increase (decrease) in net assets	255,630	(198,416)	57,214
Net assets at beginning of year	2,137,647	710,375	2,848,022
Net assets at end of year	\$ 2,393,277	\$ 511,959	\$ 2,905,236

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 Functional Expenses
Year Ended June 30, 2021

	Program Services			Supporting Services		Total
	Child Care	Social Services	Total Program Services	Management and General	Fundraising	
Salaries	\$ 436,702	\$ 316,013	\$ 752,715	\$ 118,874	\$ 105,668	\$ 977,257
Payroll taxes and benefits	104,354	75,302	179,656	28,086	16,976	224,718
Total salaries and related expenses	541,056	391,315	932,371	146,960	122,644	1,201,975
Bank fees	-	-	-	5,629	-	5,629
Depreciation	73,661	11,419	85,080	10,062	5,715	100,857
Emergency assistance	-	171,781	171,781	-	-	171,781
Equipment	21,846	3,298	25,144	3,620	1,650	30,414
Gifts in-kind	1,765	10,490	12,255	-	500	12,755
Miscellaneous	456	72	528	1,009	-	1,537
Network and software	12,543	915	13,458	6,489	7,182	27,129
Office supplies	5,905	1,476	7,381	6,773	2,769	16,923
Professional fees	387	-	387	17,691	-	18,078
Program and event	53,211	6,079	59,290	-	-	59,290
Public relations	-	-	-	2,993	42,601	45,594
Occupancy	106,539	15,292	121,831	21,074	6,336	149,241
Special event expense	-	-	-	-	5,511	5,511
Supplies	-	-	-	-	10,332	10,332
Travel, training and development	6,819	1,038	7,857	8,740	2,335	18,932
Total expenses by function	824,188	613,175	1,437,363	231,040	207,575	1,875,978
Depreciation	(73,661)	(11,419)	(85,080)	(10,062)	(5,715)	(100,857)
Cost of direct benefits to donors	-	-	-	-	(5,511)	(5,511)
Total expenses before depreciation	\$ 750,527	\$ 601,756	\$ 1,352,283	\$ 220,978	\$ 196,349	\$ 1,769,610

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			Supporting Services		Total
	Child Care	Social Services	Total Program 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	\$ 942,512	\$ 416,175	\$ 1,358,687	\$ 264,789	\$ 195,712	\$ 1,819,188

See notes to consolidated financial statements.

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

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 57,214	\$ 45,694
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Amortization of discount on pledges receivable	(2,861)	763
Depreciation	100,857	95,750
Forgiveness on Paycheck Protection Program loan	(266,300)	-
In-kind donation of capitalized assets	(4,340)	-
Changes in assets and liabilities:		
Government grants receivable	437	(75,452)
Pledges receivable	92,566	(975)
Prepaid expenses	(1,391)	(2,893)
Accounts payable	1,062	(24,650)
Accrued liabilities	5,565	3,507
Net cash provided (used) by operating activities	(17,191)	41,744
Cash flows from investing activities:		
Purchases of property and equipment	(28,242)	(44,798)
Purchases of investments	(275)	(543)
Net cash used by investing activities	(28,517)	(45,341)
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	-	266,300
Net cash provided by financing activities	-	266,300
Change in cash	(45,708)	262,703
Cash at beginning of year	564,269	301,566
Cash at end of year	\$ 518,561	\$ 564,269
Noncash investing activities:		
Forgiveness on Paycheck Protection Program loan	\$ 266,300	\$ -
In-kind donation of capitalized assets	\$ 4,340	\$ -

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 accounting principles generally accepted in the United States of America (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

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

Notes to Consolidated Financial Statements

generated by the assets in accordance with the provisions of additional donor imposed stipulations or a board of directors approved spending policy.

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 report 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, 2021, the Organization's uninsured balances totaled \$296,860.

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, 2021, promises to give from three donors totaled 58% of pledges receivable. At June 30, 2020, promises to give from four donors totaled 72% of pledges receivable. Grants from federal and state agencies totaled 31% and 25% of the Organization's revenue and support for the years ended June 30, 2021 and 2020, 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, 2021 and 2020.

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 \$182,982 that have not been recognized at June 30, 2021 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, 2021 and 2020. 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, 2021 and 2020, 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.

In 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, in an effort to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this ASU address stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. The ASU requires NFPs to present contributed nonfinancial assets (gifts in kind) as a separate line item in the statement of activities.

The ASU requires additional footnote disclosures that include:

- disaggregation of gifts-in-kind by asset category and corresponding asset value,
- whether the asset was monetized or used,
- if used, a description of the programs or services that used the asset,
- if monetized, information about the reporting entity's monetization policy,
- the valuation techniques used to value the asset, including the principal market used to arrive at a fair value measure, and
- a description of any donor-imposed restrictions.

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

Notes to Consolidated Financial Statements

ASU 2020-07 requires the new standard to be applied retrospectively, with amendments taking effect for annual reporting periods beginning after June 15, 2021.

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

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

4. Pledges Receivable

Pledges receivable consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Amount due in:		
Less than one year	\$ 201,757	\$ 283,683
More than one year	<u>191,052</u>	<u>201,692</u>
Subtotal	392,809	485,375
Unamortized present value discount	<u>(850)</u>	<u>(3,711)</u>
	<u>\$ 391,959</u>	<u>\$ 481,664</u>

The discount rate used on long-term pledges was between 0.13% and 1.92% for the year ended June 30, 2021 and between 0.16% and 1.92% for the year ended June 30, 2020.

5. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 240,000	\$ 240,000
Building and improvements	2,121,190	2,121,190
Automobiles	17,653	17,653
Furniture and equipment	<u>155,095</u>	<u>130,869</u>
	2,533,938	2,509,712
Less: accumulated depreciation	<u>(743,095)</u>	<u>(650,594)</u>
	<u>\$ 1,790,843</u>	<u>\$ 1,859,118</u>

Depreciation expense for the years ended June 30, 2021 and 2020 totaled \$100,857 and \$95,750, respectively.

6. Paycheck Protection Program Loan

In April 2020, the Organization received loan proceeds in the amount of \$266,300 from a financial institution under the Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act. The PPP loan includes a feature that allows for forgiveness of the loan if the funds are used for eligible purposes, including payroll costs, rent, utilities,

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

Notes to Consolidated Financial Statements

mortgage interest, and interest on other pre-existing indebtedness, and if the Organization maintains its payroll levels. On March 10, 2021, the Organization received notification that the PPP Loan was forgiven in full by the Small Business Administration, and the Organization reported the related forgiveness of debt in non-operating income on the consolidated statement of activities.

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, 2021). No amounts are outstanding under the line of credit as of June 30, 2021 and 2020.

8. Net Assets With Donor Restrictions

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

	2021	2020
Early childhood education	\$ -	\$ 175,000
Infant and toddler rooms	95,000	-
Playground	-	25,000
Subsequent period programs	391,959	485,375
Endowment restricted in perpetuity	25,000	25,000
	<u>\$ 511,959</u>	<u>\$ 710,375</u>

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

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

Notes to Consolidated Financial Statements

the standard of prudence prescribed by TUPMIFA. In accordance with TUMPIFA, 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, 2021 and 2020, the Organization's donor-restricted endowment fund totaled \$25,000.

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 totaling \$17,095 for the year ended June 30, 2021 were recorded at fair value at the date of donation and have been included in contributions in the consolidated statements of activities. Of these contributions, \$12,755 and \$4,340 are recognized as expenses and property and equipment, respectively, at June 30, 2021. Donated goods totaling \$35,519 for the year ended June 30, 2020 were recorded at fair value at the date of donation and have been included in contributions and expense in the consolidated statements of activities.

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

Notes to Consolidated Financial Statements

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:

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 \$13,265 and \$12,677 for the years ended June 30, 2021 and 2020, respectively.

14. Related Party Transactions

The Organization received contributions of \$34,520 and \$74,674 during the years ended June 30, 2021 and 2020, respectively, from members of the board of directors. At June 30, 2021 and 2020, pledges receivable includes amounts due from board members totaling \$123,052 and \$23,450, respectively.

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Notes to Consolidated Financial Statements

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>2021</u>	<u>2020</u>
Cash	\$ 518,561	\$ 564,269
Investments	109,974	109,699
Government grants receivable	144,847	145,284
Pledges receivable, net	<u>391,959</u>	<u>481,664</u>
Total financial assets	1,165,341	1,300,916
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>(190,202)</u>	<u>(197,981)</u>
Financial assets not available for general expenditures within one year	<u>(215,202)</u>	<u>(222,981)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 950,139</u>	<u>\$ 1,077,935</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

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the consolidated financial position, results of operations and cash flows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated 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.