

**Texas Congress of
Parents and Teachers**

**Financial Statements
as of and for the Years Ended
July 31, 2020 and 2019 and
Independent Auditors' Report**





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Independent Auditors' Report

To the Board of Directors of
Texas Congress of Parents and Teachers:

We have audited the accompanying financial statements of Texas Congress of Parents and Teachers ("Texas PTA") (a nonprofit organization), which comprise the statements of financial position as of July 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texas PTA as of July 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.



Austin, Texas
October 7, 2020

Texas Congress of Parents and Teachers

Statements of Financial Position July 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 524,350	\$ 642,115
Cash - SEP program	303,455	368,005
Investments	1,801,123	1,711,262
Accounts receivable	7,196	79,745
Inventory	9,087	6,087
Prepaid expenses	96,340	79,068
Property and equipment, net	5,403,368	5,544,829
Investments designated for endowment funds	744,219	731,995
Investments designated for building repairs and replacements	50,000	-
Total Assets	<u>\$ 8,939,138</u>	<u>\$ 9,163,106</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 30,160	\$ 207,472
Accrued expenses	178,580	264,741
Dues payable to National PTA	1,919	1,323
Dues payable to local PTAs	867	2,155
Deferred revenue	90,468	3,650
SEP program liability	303,455	368,005
PPP loan	245,412	-
Total liabilities	850,861	847,346
Net Assets:		
Without donor restrictions:		
Without donor restrictions - Undesignated	7,247,692	7,542,974
Without donor restrictions - Board-designated endowment	456,248	454,049
Without donor restrictions - Board-designated reserve for building repairs and replacements	50,000	-
Total without donor restrictions	7,753,940	7,997,023
With donor restrictions	334,337	318,737
Total net assets	<u>8,088,277</u>	<u>8,315,760</u>
Total Liabilities and Net Assets	<u>\$ 8,939,138</u>	<u>\$ 9,163,106</u>

See notes to financial statements.

Texas Congress of Parents and Teachers

Statement of Activities

Year Ended July 31, 2020

(with summarized comparative totals for the year ended July 31, 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues:				
Membership dues	\$ 1,267,009	-	1,267,009	1,277,958
Partnerships	232,892	-	232,892	215,283
Investment income, net	86,883	15,200	102,083	66,132
Grants and gifts	22,609	400	23,009	20,594
Camp	10,000	-	10,000	29,392
Sales and services	16,218	-	16,218	32,517
Cost of sales and services	(9,229)	-	(9,229)	(13,017)
Rental income	155,878	-	155,878	173,723
LAUNCH seminar	-	-	-	629,129
Other income	164,777	-	164,777	141,998
Total revenues	1,947,037	15,600	1,962,637	2,573,709
Expenses:				
Program services:				
Support for local PTAs	669,374	-	669,374	786,859
Educational training	481,488	-	481,488	832,941
Membership development	287,095	-	287,095	327,477
Legislative support	200,970	-	200,970	203,647
Total program services	1,638,927	-	1,638,927	2,150,924
Support services:				
Management and general	517,889	-	517,889	467,547
Fundraising	33,304	-	33,304	35,086
Total support services	551,193	-	551,193	502,633
Total expenses	2,190,120	-	2,190,120	2,653,557
Change in Net Assets	(243,083)	15,600	(227,483)	(79,848)
Net Assets, beginning of year	7,997,023	318,737	8,315,760	8,395,608
Net Assets, end of year	\$ 7,753,940	334,337	8,088,277	8,315,760

See notes to financial statements.

Texas Congress of Parents and Teachers

Statement of Activities Year Ended July 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Membership dues	\$ 1,277,958	-	1,277,958
Partnerships	215,283	-	215,283
Investment income, net	57,931	8,201	66,132
Grants and gifts	20,319	275	20,594
Camp	29,392	-	29,392
Sales and services	32,517	-	32,517
Cost of sales and services	(13,017)	-	(13,017)
Rental income	173,723	-	173,723
LAUNCH seminar	629,129	-	629,129
Other income	141,998	-	141,998
Net assets released from restrictions	500	(500)	-
Total revenues	2,565,733	7,976	2,573,709
Expenses:			
Program services:			
Support for local PTAs	786,859	-	786,859
Educational training	832,941	-	832,941
Membership development	327,477	-	327,477
Legislative support	203,647	-	203,647
Total program services	2,150,924	-	2,150,924
Support services:			
Management and general	467,547	-	467,547
Fundraising	35,086	-	35,086
Total support services	502,633	-	502,633
Total expenses	2,653,557	-	2,653,557
Change in Net Assets	(87,824)	7,976	(79,848)
Net Assets, beginning of year	8,084,847	310,761	8,395,608
Net Assets, end of year	<u>\$ 7,997,023</u>	<u>318,737</u>	<u>8,315,760</u>

See notes to financial statements.

Texas Congress of Parents and Teachers

Statement of Functional Expenses

Year Ended July 31, 2020

(with summarized comparative totals for the year ended July 31, 2019)

	2020									2020 Total	2019 Total
	Program Services					Support Services					
	Support for local PTAs	Educational Training	Membership Development	Legislative Support	Total Program Services	Management and General	Fundraising	Total Support Services			
Salaries and benefits	\$ 431,442	317,237	203,032	88,826	1,040,537	203,032	25,379	228,411	1,268,948	1,200,985	
State office administration	68,814	90,545	43,462	10,865	213,686	144,872	3,622	148,494	362,180	381,279	
Depreciation	46,117	46,117	4,303	26,717	123,254	117,168	4,303	121,471	244,725	232,730	
Membership services	59,209	13,664	18,218	-	91,091	-	-	-	91,091	121,363	
Lobbying	-	-	-	71,211	71,211	-	-	-	71,211	90,401	
State board	-	-	-	-	-	52,817	-	52,817	52,817	76,569	
E Commerce fees	32,966	1,182	3,720	-	37,868	-	-	-	37,868	46,559	
Workshops	16,466	12,743	-	-	29,209	-	-	-	29,209	49,845	
Grants and awards	14,360	-	14,360	-	28,720	-	-	-	28,720	27,386	
National meetings	-	-	-	3,351	3,351	-	-	-	3,351	31,625	
Leader training	-	-	-	-	-	-	-	-	-	394,315	
Emergency needs	-	-	-	-	-	-	-	-	-	500	
Total expenses	669,374	481,488	287,095	200,970	1,638,927	517,889	33,304	551,193	2,190,120	2,653,557	
Cost of sales and services	4,614	4,614	-	-	9,228	-	-	-	9,229	13,017	
Total expenses and cost of sales and services	\$ 673,988	486,102	287,095	200,970	1,648,155	517,889	33,304	551,193	2,199,349	2,666,574	

See notes to financial statements.

Texas Congress of Parents and Teachers

Statement of Functional Expenses Year Ended July 31, 2019

	Program Services				Support Services				Total
	Support for local PTAs	Educational Training	Membership Development	Legislative Support	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries and benefits	\$ 402,330	300,246	180,148	96,079	978,803	198,162	24,020	222,182	1,200,985
State office administration	72,443	95,320	45,753	10,676	224,192	152,512	4,575	157,087	381,279
Depreciation	69,570	69,570	40,304	6,491	185,935	40,304	6,491	46,795	232,730
Member services	72,818	18,204	30,341	-	121,363	-	-	-	121,363
Lobbying	-	-	-	90,401	90,401	-	-	-	90,401
State board	-	-	-	-	-	76,569	-	76,569	76,569
E Commerce fees	28,581	14,433	3,545	-	46,559	-	-	-	46,559
Workshops	49,845	-	-	-	49,845	-	-	-	49,845
Grants and awards	-	-	27,386	-	27,386	-	-	-	27,386
National meetings	31,625	-	-	-	31,625	-	-	-	31,625
Leader training	59,147	335,168	-	-	394,315	-	-	-	394,315
Emergency needs	500	-	-	-	500	-	-	-	500
Total expenses	786,859	832,941	327,477	203,647	2,150,924	467,547	35,086	502,633	2,653,557
Cost of sales and services	6,509	6,509	-	-	13,017	-	-	-	13,017
Total expenses and cost of sales and services	\$ 793,368	839,450	327,477	203,647	2,163,941	467,547	35,086	502,633	2,666,574

See notes to financial statements.

Texas Congress of Parents and Teachers

Statements of Cash Flows Years Ended July 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ (227,483)	\$ (79,848)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	244,725	232,730
Net realized and unrealized gains on investments	(87,002)	(34,390)
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	72,549	89,620
Inventory	(3,000)	3,667
Prepaid expenses	(17,272)	7,444
Accounts payable	(177,312)	21,759
Accrued expenses	(86,161)	75,261
Dues payable to National PTA	596	259
Dues payable to local PTAs	(1,288)	(6,544)
Deferred revenue	86,818	(1,685)
SEP program liability	(64,550)	58,593
Net cash (used in) provided by operating activities	(259,380)	366,866
Cash Flows from Investing Activities:		
Purchases of investments	(767,486)	(637,699)
Sales of investments	702,403	605,959
Purchases of property and equipment	(103,264)	(65,442)
Net cash used in investing activities	(168,347)	(97,182)
Cash Flows from Financing Activities-		
Proceeds from borrowings of long-term debt	245,412	-
Net Change in Cash, Cash Equivalents, and Restricted Cash	(182,315)	269,684
Cash, Cash Equivalents, and Restricted Cash, beginning of year	1,010,120	740,436
Cash, Cash Equivalents, and Restricted Cash, end of year	\$ 827,805	\$ 1,010,120

See notes to financial statements.

Texas Congress of Parents and Teachers

Notes to Financial Statements

Years Ended July 31, 2020 and 2019

1. Organization

Texas Congress of Parents and Teachers (“Texas PTA”) is a nonprofit organization headquartered in Austin, Texas with the following purposes:

- To promote the welfare of children and youth in the home, school, places of worship, and throughout the community;
- To raise the standards of home life;
- To advocate for laws that further the education, physical and mental health, welfare, and safety of children and youth;
- To promote the collaboration and engagement of families and educators in the education of children and youth;
- To engage the public in united efforts to secure the physical, mental, emotional, spiritual and social well-being of all children and youth; and
- To advocate for fiscal responsibility regarding public tax dollars in public education funding.

2. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

Net Asset Classifications - Net assets, 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 and reported as follows:

Without Donor Restrictions - These net assets are not subject to donor-imposed stipulations. 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. Net assets without donor restrictions are those currently available for use by Texas PTA, or at the discretion of the Board of Directors (the “Board”) for Texas PTA’s use. Texas PTA has a Board-designated quasi-endowment for educational purposes (Note 10) as well as a Board-designated reserve for building repairs and replacements.

With Donor Restrictions - These net assets are subject to donor-imposed stipulations, which limit their use to a specific purpose and/or the passage of time, or which require them to be maintained permanently. Net assets with permanent donor restrictions are not available for use in operations and limitations neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Texas PTA.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain amounts from prior year have been reclassified to conform to the presentation adopted in the current year. There was no impact on net assets.

Fair Value Measurements - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 - Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Cash and Cash Equivalents - Texas PTA considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Texas PTA acts as an agent with the Texas Commission on Environmental Quality (the "TCEQ"), receiving Supplemental Environmental Projects ("SEP") funds to award to schools that meet certain criteria determined by the TCEQ. Funds that have been received by TCEQ and have not been awarded to schools are required to be maintained in a separate restricted cash account recorded in the consolidated statements of financial position as cash-SEP program. The corresponding transaction is recorded as SEP program liability.

Investments - Investments are recorded in the statements of financial position at fair value. Investment transactions are recorded on the trade date and investment income is recorded when earned. Unrealized gains and losses are recorded for the change in fair value of investments between reporting periods. Realized gains and losses are recorded as the difference between historical cost and the proceeds received from the sale of an investment. Net investment income recorded in the statements of activities consists of unrealized and realized gains and losses, interest and dividends, and are netted against investments fees.

Accounts Receivable - Accounts receivable are recorded at the value of the revenue earned, and are considered past due based on how recently payments have been received. Delinquent invoices do not accrue interest. Texas PTA continually monitors each customer's credit worthiness individually. No allowance for doubtful accounts has been recorded as of July 31, 2020 and 2019 as management believes all significant accounts receivable to be collectible. Management records bad debts using the direct charge-off method.

Inventory - Inventory consists primarily of finished goods merchandise and literature that are stated at the lower of cost or net realizable value, as determined using the average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of disposal. Management reviews inventory for slow-moving items and records a specific reserve as necessary. No reserve was considered necessary as of July 31, 2020 and 2019.

Property and Equipment - Property and equipment are capitalized at cost if purchased and at fair value on the date of receipt if donated. Texas PTA capitalizes all acquisitions of property and equipment with a cost or donated value in excess of \$1,000. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of activities. Maintenance and repairs that do not improve or extend the useful life of the respective asset are expensed as incurred. Land is not depreciated. Depreciation expense is calculated using the straight-line method over the following estimated useful lives:

Building and improvements	9-40 years
Furniture and equipment	2-7 years
Transportation equipment	5 years

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment at the asset group level whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset group exceeds fair value, if the carrying amount of the asset group is not recoverable.

As a result of the significant disruptions to the Texas PTA's operations due to the COVID-19 pandemic, management evaluated the Texas PTA's long-lived assets for impairment as of July 31, 2020 and determined there were no impairments. While management believes the estimates and judgments used to determine fair value are reasonable, future impairment charges may be required if events change requiring management to revise these estimates.

Membership Dues, Partnerships, Camp, LAUNCH, and Sales and Services Revenue -

Revenue is recognized when promised services or merchandise are transferred to customers in an amount that reflects the consideration to which the Texas PTA expects to be entitled in exchange for those services by following a five-step process, (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price, and (5) recognize revenue when or as the Texas PTA satisfies a performance obligation.

Income from membership dues is recognized as revenue over the membership period, which coincides with Texas PTA's fiscal year. Deferred revenue consists of cash that has been received in advance for membership dues and will be recognized as revenue over the membership period.

Partnerships revenue includes sponsorships for events as well as a royalty agreement with a third-party to utilize Texas PTA's name, logo, and lists of PTAs annually. Sponsorships are recognized when the related event occurs. The royalty agreement is recognized as the services are provided.

Camp and LAUNCH seminar revenue are earned and recognized when the event has been held.

Sales revenue is recognized when products are shipped, that is, when title to the products and risk of loss transfers to the customer. Shipping and handling costs incurred are included in cost of goods sold and related amounts billed to customers are included in sales in the accompanying statements of activities. Services revenue is earned and recognized when the services Texas PTA has been contracted to perform have been provided and the costs associated with providing the contracted services have been incurred.

Costs to Obtain or Fulfill Contracts - As performance obligations in the Texas PTA's contracts with customers are satisfied over a period of one year, the Texas PTA applies the practical expedient to expense costs to obtain a contract as incurred. The Texas PTA does not incur significant fulfillment costs requiring capitalization.

Grants and Gifts Revenue - All contributions are recorded at their fair value and are considered to be available for operations of Texas PTA unless specifically restricted by the donor. The Texas PTA recognizes contributions when cash, securities, other assets, or unconditional promises to give are received. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related net assets are reclassified to net assets without donor restrictions. This is reported in the statements of activities as net assets released from restrictions. Conditional promises to give, defined as those with a measurable performance or other barrier and a right to return, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

In-kind Donations - Services, materials, and facilities are donated to Texas PTA by various individuals and organizations. Donated services are recognized by Texas PTA if the services received (a) create or enhance non-financial assets and (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind donations were not significant during the years ended July 31, 2020 and 2019.

Functional Expense Allocation - The accompanying financial statements present expenses by functional and natural classification. Natural expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Accordingly, certain costs have been allocated among the program and supporting services using a variety of cost allocation techniques, such as time and effort.

Federal Income Taxes - Texas PTA is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except as it relates to any unrelated business income. Texas PTA did not incur any significant tax liabilities due to unrelated business income during the years ended July 31, 2020 and 2019. Texas PTA files Form 990 tax returns in the U.S. federal jurisdiction, and is subject to routine examinations of their returns; however, there are no examinations currently in process.

Change in Accounting Principle for Recently Adopted Accounting Pronouncement - In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. It also provides guidance on accounting for costs incurred to obtain or fulfill contracts with customers and establishes disclosure requirements which are more extensive than those required under prior U.S. GAAP. The Texas PTA adopted Topic 606 on August 1, 2019 and elected the modified retrospective transition method of adoption using the completed contract practical expedient. The Texas PTA performed an assessment of its contracts with customers and did not identify any changes to the timing or amount of its revenue recognition under Topic 606 compared to prior U.S. GAAP. There was no impact to net assets as of August 1, 2019 or to the statement of financial position or the statements of activities, functional expenses, or cash flows as of and for the year ended July 31, 2020 as a result of applying the new guidance.

3. Liquidity and Availability of Financial Assets

Texas PTA’s financial assets available within one year for general expenditure were as follows as of July 31:

	2020	2019
Cash and cash equivalents	\$ 524,350	\$ 642,115
Investments	1,801,123	1,711,262
Accounts receivable	7,196	79,745
Total financial assets available to management for general expenditure within one year	\$ 2,332,669	\$ 2,433,122

Texas PTA invests its funds in liquid investments to meet its cash flow requirements and minimize interest rate risk. The Board ensures Texas PTA’s financial stability by approving an annual budget prior to the start of each fiscal year. In addition, both the Texas PTA’s Board-designated quasi-endowment net assets of \$506,248 and the Board-designated reserve for building repairs and replacements of \$50,000 could be made available by the Board for current operations to manage unanticipated liquidity needs.

4. Concentrations of Credit Risk

Financial instruments that potentially subject Texas PTA to credit risk consist of cash and cash equivalents, investments, and receivables. Texas PTA places its cash and cash equivalents with a limited number of high-quality financial institutions and may exceed the amount of insurance provided on such deposits. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain marketable investments, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statements of financial position. Texas PTA does not maintain collateral for its receivables. One customer accounted for 100% of accounts receivable and two customers accounted for 57% of accounts receivable as of July 31, 2020 and 2019, respectively.

5. Investments

Investments consisted of the following as of July 31:

	2020	2019
Equities	\$ 1,693,696	\$ 1,580,258
Fixed income	466,303	430,004
Real estate and commodity funds	268,098	328,325
Cash and cash equivalents	167,245	104,670
Total investments	<u>\$ 2,595,342</u>	<u>\$ 2,443,257</u>

All investments were valued using the market approach and Level 1 inputs under the fair value hierarchy.

Net investment income was comprised of the following during the years ended July 31:

	2020	2019
Net unrealized and realized gains	\$ 87,002	\$ 34,390
Interest and dividends	41,116	58,110
Investment fees	(26,035)	(26,368)
Total investment income, net	<u>\$ 102,083</u>	<u>\$ 66,132</u>

6. Property and Equipment

Property and equipment consisted of the following as of July 31:

	2020	2019
Building and improvements	\$ 5,989,349	\$ 5,989,349
Furniture, software and equipment	434,592	423,099
Transportation equipment	50,772	50,772
	6,474,713	6,463,220
Accumulated depreciation	(1,164,862)	(1,011,908)
Land	93,517	93,517
Property and equipment, net	<u>\$ 5,403,368</u>	<u>\$ 5,544,829</u>

7. Payroll Protection Program Loan

In April 2020, the Texas PTA received a \$245,412 loan under the Paycheck Protection Program (the “PPP”) which was created through the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and is administered by the U.S. Small Business Administration (“SBA”). The PPP loan has a fixed interest rate of 1% and matures in 2 years. The PPP loan is eligible for forgiveness by the SBA for the portion of loan proceeds used for payroll costs and other designated operating expenses (as defined) for up to eight weeks or, at the discretion of the borrower, twenty-four weeks (the “Covered Period”), provided at least 60% of loan proceeds are used for payroll costs and the Texas PTA meets all necessary criteria as defined by the SBA. Payments are deferred until the earlier of (i) the date the SBA remits to the lender the amount of forgiveness granted to the Texas PTA, or (ii) ten months after the last day of the Covered Period if the Texas PTA does not apply for loan forgiveness. The Texas PTA expects this PPP loan will be forgiven during the year ending July 31, 2021, at which point the amount will be recorded as income.

8. Rental Income

Texas PTA has lease agreements with third parties. As of July 31, 2020, the buildings held for lease, which were included in property and equipment in the statements of financial position, had a cost basis and accumulated depreciation of \$2,501,284 and \$364,273, respectively. As of July 31, 2019, the buildings held for lease had a cost basis and accumulated depreciation of \$2,501,284 and \$287,641, respectively. Rental income from third parties, including common area maintenance, totaled \$155,878 and \$173,723 during the years ended July 31, 2020 and 2019, respectively.

Future minimum rental payments, excluding common area maintenance, to be received were as follows as of July 31, 2020:

2021		\$	65,285
2022			66,530
2023			67,775
2024			69,020
2025			40,686
Total		\$	<u>309,296</u>

9. Net Assets with Donor Restrictions

Donor-restricted net assets were restricted for the following purposes as of July 31:

	<u>2020</u>	<u>2019</u>
Temporarily donor-restricted net assets:		
Investment return on		
Ella Caruthers Memorial Endowment fund	\$ 256,916	\$ 241,716
Disaster relief fund	29,363	29,113
Emergency relief fund	11,828	11,678
Permanently donor-restricted net assets-		
Ella Caruthers Memorial Endowment fund	<u>36,230</u>	<u>36,230</u>
Total	<u>\$ 334,337</u>	<u>\$ 318,737</u>

10. Endowments

The Board of Directors (the “Board”) has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (“TUPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. Texas PTA classifies permanent donor-restricted net assets as the original value of gifts donated to the permanent endowment, the original value of subsequent gifts donated to the permanent endowment, and additions to the permanent endowment in accordance with donor directions. Texas PTA classifies the earnings portion of the donor-restricted endowment fund as temporary donor-restricted net assets until those funds are appropriated for expenditure by Texas PTA in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, Texas PTA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Texas PTA, and (7) Texas PTA’s investment policies.

Texas PTA’s Board adopted an investment policy that provides that the endowment assets are invested using a socially responsible investing strategy that is intended to result in high yields while assuming a moderate level of investment risk. The long-term return objectives of the funds should be to preserve capital, provide consistent asset growth that exceeds the rate of inflation, as measured by the Consumer Price Index, and minimize the exposure of the endowment’s capital to risk and volatility. The long-term objective is to obtain a rate of return of CPI plus 5%. The investment policy also defines certain asset allocation targets and ranges that are implemented by third-party investment managers.

Texas PTA has a donor-restricted endowment named the Ella Caruthers Memorial Endowment. The Texas PTA also has a Board-designated endowment called Texas Congress of Parents and Teachers that is used for educational purposes.

Changes in endowment net assets were as follows during the year ended July 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 454,049	\$ 277,946	\$ 731,995
Net unrealized and realized gain (loss)	(218)	12,884	12,666
Interest and dividends	7,242	5,192	12,434
Investment fees	(4,825)	(2,876)	(7,701)
Endowment net assets, end of year	<u>\$ 456,248</u>	<u>\$ 293,146</u>	<u>\$ 749,394</u>

Changes in endowment net assets were as follows during the year ended July 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year, as restated	\$ 441,923	\$ 269,746	\$ 711,669
Net unrealized and realized gains	6,631	3,853	10,483
Interest and dividends	10,382	7,259	17,641
Investment fees	<u>(4,887)</u>	<u>(2,911)</u>	<u>(7,798)</u>
Endowment net assets, end of year	<u>\$ 454,049</u>	<u>\$ 277,946</u>	<u>\$ 731,995</u>

Descriptions of the amounts classified as permanently donor-restricted and temporarily donor-restricted net assets (endowment only) were as follows as of July 31:

	2020	2019
Permanently donor-restricted net assets-		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by TUPMIFA	<u>\$ 36,230</u>	<u>\$ 36,230</u>
Temporarily donor-restricted net assets-		
The portion of perpetual endowment funds subject to a restriction under TUPMIFA	<u>\$ 256,916</u>	<u>\$ 241,716</u>

11. Retirement Plan

Texas PTA maintains a 401(k) retirement plan (the “Plan”) which covers all employees choosing to participate who have been employed for at least one year. The employees can contribute up to the amount allowed by the Internal Revenue Service, and Texas PTA matches up to 5% of the employee contributions. Texas PTA made employer contributions of \$44,145 and \$41,759 during the years ended July 31, 2020 and 2019, respectively.

12. Contingencies

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. As a result, Texas PTA postponed the LAUNCH seminar until the following fiscal year causing a temporary decrease in revenues. While the disruption is currently expected to be temporary, there is uncertainty around the duration. Therefore, while this issue is not expected to significantly impact Texas PTA’s business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

13. Subsequent Events

Texas PTA has evaluated subsequent events through October 7, 2020 (the date the financial statements were available to be issued), and no events have occurred from the statement of financial position date through that date that would impact the financial statements.