Vogel Alcove

Consolidated Financial Statements
June 30, 2021

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Independent Auditor's Report

To the Board of Directors of
Vogel Alcove

We have audited the accompanying consolidated financial statements of Vogel Alcove and Vogel Alcove Foundation (collectively, the Organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Organization'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 Organization'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.

The Board of Directors of
Vogel Alcove

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization, 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
December 1, 2021

Vogel Alcove

Consolidated Statements of Financial Position

June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	$ 921,650	$ 1,454,634
Cash and cash equivalents - DDF interest reserve	-	33,517
Contributions receivable, net	93,340	-
Grants receivable	501,582	363,446
Prepaid expenses	65,044	200,215
Other assets	35,288	60,901
Investments	7,907,093	6,298,538
Note receivable	-	4,206,200
Property and equipment, net	3,044,274	3,157,499
TOTAL ASSETS	$ 12,568,271	$ 15,774,950
LIABILITITES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 74,732	$ 75,746
Accrued expenses and other payables	188,170	389,822
Notes payable, net	-	6,558,811
Total liabilities	262,902	7,024,379
NET ASSETS		
Without donor restrictions	12,263,468	8,594,040
With donor restrictions	41,901	156,531
Total net assets	12,305,369	8,750,571
TOTAL LIABILITIES AND NET ASSETS	$ 12,568,271	$ 15,774,950

The Notes to Consolidated Financial Statements
are an integral part of these statements.

Vogel Alcove

Consolidated Statements of Activities

Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT						
Special events revenues	$ 1,206,704	$ -	$ 1,206,704	$ 319,495	$ -	$ 319,495
Less cost of direct benefits to donors	(506,384)	-	(506,384)	(110,385)	-	(110,385)
Net special events revenues	700,320	-	700,320	209,110	-	209,110
Contributions	2,101,680	222,590	2,324,270	2,275,629	416,604	2,692,233
Government grants	1,793,863	-	1,793,863	1,733,921	-	1,733,921
Interest and dividends	139,390	-	139,390	184,702	-	184,702
Gain on expiration of the new market tax credit (see Note 6)	1,656,511	-	1,656,511	-	-	-
Gain on forgiveness of PPP loans (see Note 6)	844,100	-	844,100	-	-	-
Other revenues	267,006	-	267,006	399,119	-	399,119
Realized and unrealized gains on investments	1,394,464	-	1,394,464	167,010	-	167,010
Net assets released from restrictions	337,220	(337,220)	-	348,723	(348,723)	-
Total revenues, gains and other support	9,234,554	(114,630)	9,119,924	5,318,214	67,881	5,386,095
EXPENSES						
Program services	4,141,609	-	4,141,609	3,921,884	-	3,921,884
Management and general	752,957	-	752,957	847,815	-	847,815
Fundraising	670,560	-	670,560	598,878	-	598,878
Total expenses	5,565,126	-	5,565,126	5,368,577	-	5,368,577
CHANGE IN NET ASSETS	3,669,428	(114,630)	3,554,798	(50,363)	67,881	17,518
NET ASSETS, beginning of year	8,594,040	156,531	8,750,571	8,644,403	88,650	8,733,053
NET ASSETS, end of year	$ 12,263,468	$ 41,901	$ 12,305,369	$ 8,594,040	$ 156,531	$ 8,750,571

The Notes to Consolidated Financial Statements
are an integral part of these statements.

Vogel Alcove

Consolidated Statements of Functional Expenses
Years Ended June 30, 2021 and 2020

	Program Services			Total	Supporting Services		Total	2021
	Child Care	Social Services	Volunteer Services	Program Expenses	Management and General	Fundraising	Supporting Expenses	Total Expenses
Salaries and benefits	$ 2,203,806	$ 604,437	$ -	$ 2,808,243	$ 394,639	$ 575,192	$ 969,831	$ 3,778,074
Professional fees and contract services	101,421	48,666	-	150,087	87,110	3,319	90,429	240,516
Security	72,890	11,982	-	84,872	14,977	-	14,977	99,849
Food supplies	150,627	2,407	-	153,034	3,008	-	3,008	156,042
Other supplies	105,297	37,143	-	142,440	26,871	5,044	31,915	174,355
Telephone	20,021	3,291	-	23,312	4,114	-	4,114	27,426
Local transportation	1,383	924	-	2,307	655	-	655	2,962
Postage	-	13	-	13	2,600	6,223	8,823	8,836
Occupancy	220,016	36,167	-	256,183	45,209	-	45,209	301,392
Maintenance	47,571	7,820	-	55,391	9,775	-	9,775	65,166
Insurance	43,410	7,046	-	50,456	8,807	-	8,807	59,263
Interest expense	44,792	7,363	-	52,155	9,613	-	9,613	61,768
Staff development	37,762	13,452	-	51,214	26,899	2,022	28,921	80,135
Miscellaneous	30,019	4,881	-	34,900	69,796	3,486	73,282	108,182
Printing	-	-	-	-	-	32,160	32,160	32,160
Marketing	-	-	-	-	-	24,163	24,163	24,163
Special events	-	-	-	-	-	18,951	18,951	18,951
Depreciation	237,896	39,106	-	277,002	48,884	-	48,884	325,886
TOTAL EXPENSES	$ 3,316,911	$ 824,698	$ -	$ 4,141,609	$ 752,957	$ 670,560	$ 1,423,517	$ 5,565,126

	Program Services			Total	Supporting Services		Total	2020
	Child Care	Social Services	Volunteer Services	Program Expenses	Management and General	Fundraising	Supporting Expenses	Total Expenses
Salaries and benefits	$ 2,299,713	$ 360,022	$ 18,955	$ 2,678,690	$ 376,474	$ 522,148	$ 898,622	$ 3,577,312
Professional fees and contract services	80,894	71,361	9,162	161,417	120,461	5,409	125,870	287,287
Security	66,675	8,295	9,135	84,105	20,895	-	20,895	105,000
Food supplies	133,381	73	-	133,454	-	-	-	133,454
Other supplies	109,808	34,614	113	144,535	25,821	1,642	27,463	171,998
Telephone	16,407	2,041	2,248	20,696	5,142	-	5,142	25,838
Local transportation	1,290	353	175	1,818	913	-	913	2,731
Postage	-	65	-	65	1,888	4,467	6,355	6,420
Occupancy	161,772	20,126	22,164	204,062	50,697	-	50,697	254,759
Maintenance	37,341	4,646	5,116	47,103	11,702	-	11,702	58,805
Insurance	35,001	4,354	4,795	44,150	10,969	-	10,969	55,119
Interest expense	70,507	8,772	9,660	88,939	22,096	-	22,096	111,035
Staff development	32,174	5,454	11	37,639	47,275	2,030	49,305	86,944
Miscellaneous	512	301	1	814	85,311	3,568	88,879	89,693
Printing	-	-	-	-	-	27,224	27,224	27,224
Marketing	-	-	-	-	-	7,299	7,299	7,299
Special events	-	-	-	-	-	25,091	25,091	25,091
Depreciation	217,531	27,063	29,803	274,397	68,171	-	68,171	342,568
TOTAL EXPENSES	$ 3,263,006	$ 547,540	$ 111,338	$ 3,921,884	$ 847,815	$ 598,878	$ 1,446,693	$ 5,368,577

The Notes to Consolidated Financial Statements
are an integral part of these statements.

Vogel Alcove

Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,554,798	$ 17,518
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	325,886	342,568
Amortization of debt issuance costs	-	35,712
Gain on expiration of the new market tax credit	(1,656,511)	-
Gain on forgiveness of PPP loans	(844,100)	-
Realized and unrealized gains on investments	(1,394,464)	(167,010)
Loss on disposal of fixed assets	-	449
(Increase) decrease in assets:		
Contributions receivable	(93,340)	29,000
Grants receivable	(138,136)	(122,671)
Prepaid expenses	135,171	(179,959)
Other assets	25,613	(34,304)
Increase (decrease) in liabilities:		
Accounts payable	(1,014)	(22,272)
Accrued expenses and other payables	(201,652)	31,601
Net cash used in operating activities	(287,749)	(69,368)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	720,980	1,501,799
Purchases of investments	(935,071)	(1,191,761)
Purchases of property and equipment	(212,661)	(101,202)
Proceeds from disposal of property and equipment	-	100
Net cash provided by (used in) investing activities	(426,752)	208,936
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of note payable	148,000	696,100
Net cash provided by financing activities	148,000	696,100
Net increase (decrease) in cash and cash equivalents	(566,501)	835,668
CASH AND CASH EQUIVALENTS, beginning of year	1,488,151	652,483
CASH AND CASH EQUIVALENTS, end of year	$ 921,650	$ 1,488,151
OTHER REQUIRED DISCLOSURES		
Cash paid for interest	$ 88,418	$ 75,323

The Notes to Consolidated Financial Statements are an integral part of these statements.

Note 1. Nature of Activities

Nature of Operations

Vogel Alcove (the Alcove or Organization) is a nonprofit organization organized in September 1986. Its principal program is providing professional childcare for homeless children while their parents are looking for employment and/or receiving job training.

Note 2. Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements are as follows:

Principles of Consolidation

The consolidated financial statements include the assets, liabilities, net assets, and changes in net assets, and cash flows of the Alcove and Vogel Alcove Foundation (the Foundation), collectively, the Organization. The Foundation was organized in 2013 under the laws of the state of Texas as a supporting organization of the Alcove. The Foundation is included with the Alcove in the accompanying consolidated financial statements because the Alcove has an economic interest in the organization and controls the affiliated organization's Board of Directors. All significant inter-organization transactions have been eliminated. The Alcove and Foundation are collectively referred to as the Organization throughout these consolidated financial statements.

Basis of Accounting

The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent 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.

Basis of Presentation

The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. 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:

- *Net Assets Without Restrictions* – Net assets that are not subject to donor-imposed stipulations. Restricted contributions received and released in the current year will be reported as activity within net asset without restrictions.

- *Net Assets With Restrictions* – Net assets with restrictions include net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time to be used generally for capital expenditures and program support. Net assets with restrictions also include net assets subject to donor-imposed stipulations that will never lapse, thus requiring the funds to be retained permanently. Generally, the donors of these assets permit Vogel to use all or part of the income earned on related investments for general or specific purposes, including program support.

Revenues are reported as increases in net assets without restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with restriction (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.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Organization places its cash and cash equivalents with high quality financial institutions, which at times may exceed federally insured limits. The Organization has not experienced any losses on such accounts.

Investments

Investments include mutual funds and certificates of deposit. Readily marketable mutual fund securities (investments readily marketable on national exchanges) are carried at fair value, as determined by the last reported sales price on the date of valuation, or if there has been no sale on that date, the average of the bid and asked prices.

The net realized and unrealized gains (losses) in fair value of investments are reflected on the statements of activities.

Contributions Receivable

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year, if any, are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

An allowance for uncollectible contributions receivable, if any, is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity.

With respect to net assets with donor restrictions, the Organization has adopted the following accounting policies:

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues within net assets with donor restrictions, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

Contributions of land, building and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues within net asset without donor restrictions. Contributions of cash or other assets to be used to acquire land, building and equipment with such donor stipulations are reported as revenues within net assets with donor restrictions. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Management also determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering a customer's financial condition, credit history and current economic conditions. Based on information available, the Organization believes an allowance for doubtful accounts unnecessary at June 30, 2021 and 2020. Actual write-offs may occur, but historically, the Organization has not experienced significant losses on receivables.

Debt Issuance Costs

In accordance with the accrual basis of accounting, debt issuance costs that are attributable to notes payable with an expected maturity of one year or less are expensed immediately. Debt issuance costs associated with notes payable having terms in excess of one year are capitalized and amortized using the straight-line method over the term of the loan. Unamortized debt issuance costs are a direct deduction from notes payable on the accompanying consolidated statements of financial position. Amortization expense related to the debt issuance costs was $0 and $35,712 for the fiscal years ended June 30, 2021, and 2020. The debt issuance costs were fully amortized through the forgiveness of debt transactions that occurred in the fiscal year ended June 30, 2021, further described in Note 6.

Paycheck Protection Program Loan

The Organization elected to apply the guidance in FASB ASC 470, *Debt*, (debt model), to account for its Paycheck Protection Program (PPP) loan. Under that approach, derecognition of the loan took place in the fiscal year ended June 30, 2021, when the debtor legally released the Organization as the primary obligor. See further discussion of the loan forgiveness in Note 6.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization that is not a private foundation under the Tax Reform Act of 1969 and contributions to it qualify for deduction as charitable contributions; accordingly, no provision for taxes has been made in the consolidated financial statements.

The Organization is liable for any federal income taxes resulting from certain unrelated business income. For fiscal years 2021 and 2020, there was no liability for any federal income tax resulting from unrelated business income. The Organization recognizes interest accrued on and penalties related to unrecognized tax benefits in tax expense. During the years ended June 30, 2021 and 2020, the Organization recognized no interest and penalties.

Based on management's analysis, the Organization did not have any uncertain tax positions as of June 30, 2021 and 2020. The Organization files income tax returns in the U.S. federal jurisdiction. There are currently no income tax examinations underway for this jurisdiction. As of June 30, 2021, the Organization's tax years 2018 to 2021 remain subject to examination.

Property and Equipment

Expenditures for property and equipment are stated at cost, representing the purchase price or fair market value at the date of gift, less accumulated depreciation. Depreciation expense is computed using the straight-line method over estimated useful lives of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

Building	15-40 years
Leasehold improvements	7-20 years
Equipment and furniture	5-15 years

The Organization capitalizes property and equipment with a cost greater than $500 and a useful life of greater than one year. The Organization reviews the carrying value of long-lived assets to determine if facts and circumstances suggest that they may be impaired or that the depreciation or amortization period may need to be changed. If circumstances indicate the long-lived asset will not be recoverable, based upon undiscounted cash flows of the long-lived asset over the remaining life, the carrying value of the long-lived asset will be reduced by the estimated shortfall of discounted cash flows. The Organization does not believe there are any indicators that would require an adjustment of the carrying value of its long-lived assets or their remaining useful lives as of June 30, 2021 and 2020.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills and are performed by people with those skills, and would otherwise be purchased by the Organization. A substantial number of volunteers made significant contributions of their time to the Organization, principally in development and general public operations. The value of this contributed time is not reflected in these consolidated financial statements because it does not meet the criteria for recognition under the generally accepted accounting principles.

Allocation of Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis on the consolidated statements of financial activities. Salaries and related payroll expenses are recorded based on actual segregation of personnel by program or supporting services. Distribution of all other expenses is based on actual usage or management's estimate of usage applicable to various programs and supporting services benefitted.

Special Events Revenues

Special events revenues represents fund-raising revenue related to the Vogel Alcove Arts Performance and Day 1 Dallas events. Contributions to the events are unrestricted funds that are available for support of the Organization's operations.

Government Grants Revenues

Grant revenue is recognized when qualifying costs are incurred for cost-reimbursement grants or contracts. Revenue from grants which have characteristics of an exchange transaction is recognized when earned (generally as funds are expended for grant purposes) as unrestricted revenue when the related obligations have been satisfied.

Fundraising

The Organization conducts activities that include requests for contributions. Those activities include direct mail campaigns, special events, and personal solicitation. Total costs of conducting those activities for the years ended June 30, 2021 and 2020 were $670,560 and $598,878, respectively.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU requires that a lease liability and related right-of-use asset representing the lessee’s right to use or control the asset be recorded on the combined statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases and operating in existing lease accounting guidance. As a result, the effect of leases in the combined statement of activities and changes in net assets and the combined statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 25, 2021. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the combined financial statements.

Note 3. Investments

The Organization’s investments are recorded at fair value. The estimated fair value of investments is based on quoted market prices.

The fair value of investments at June 30, 2021 and 2020 consisted of the following:

	2021	2020
Exchange-Traded Funds	$ 6,415,512	$ 5,178,193
Certificates of deposit	1,491,581	1,120,345
Total investments at fair value	$ 7,907,093	$ 6,298,538

The Organization follows FASB ASC Topic 820, *Fair Value Measurements*, which provides the framework for measuring fair value. FASB ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels listed as follows:

Level 1 inputs: Quoted prices are available in active markets that the Organization has the ability to access for identical investments as of the reporting date, without adjustment.

Level 2 inputs: Other significant observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices of identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means; and
- If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs: Significant unobservable inputs. Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. Investments that are included in this category generally include privately held investments and securities held in partnership format, and for these the Net Asset Value (NAV) as a practical expedient has been used.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Organization evaluates its hierarchy disclosures each reporting period and, based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the Organization expects that changes in classifications between different levels will not be significant.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters.

Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. While management believes the Organization's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Exchange-Traded Fund: Index mutual funds which trade like common stock in an equity security.

Certificates of Deposit: Valued based on similar investments being marketed with the same yield and remaining term.

The fair value of each asset and liability in the tables below was measured using FASB ASC 820 input guidance and valuation techniques.

The following tables present the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021 and 2020:

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Exchange-Traded Funds				
Fixed income - domestic	$ 1,481,539	$ -	$ -	$ 1,481,539
Equity - domestic	3,369,635	-	-	3,369,635
Equity - foreign	1,564,338	-	-	1,564,338
Certificates of deposit	-	1,491,581	-	1,491,581
Total	$ 6,415,512	$ 1,491,581	$ -	$ 7,907,093

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Exchange-Traded Funds				
Fixed income - domestic	$ 1,184,344	$ -	$ -	$ 1,184,344
Equity - domestic	2,687,849	-	-	2,687,849
Equity - foreign	1,306,000	-	-	1,306,000
Certificates of deposit	-	1,120,345	-	1,120,345
Total	$ 5,178,193	$ 1,120,345	$ -	$ 6,298,538

Note 4. Contributions Receivable

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and contributions and grant revenue in the appropriate net asset category and are recorded at their estimated fair value. Contributions are recorded after discounting at the risk adjusted rate. Amortization of the discount is included in contributions and grant revenue on the consolidated statements of activities.

As of June 30, unconditional promises to give are expected to be collected within a year:

	2021	2020
Due within one year	$ 93,340	$ -
Less allowance for bad debt	-	-
Net unconditional promises to give	$ 93,340	$ -

Note 5. Property and Equipment

Property and equipment consists of the following at June 30, 2021 and 2020:

	2021	2020
Leasehold improvements	$ 4,262,092	$ 4,176,523
Equipment and furniture	1,016,731	911,904
	5,278,823	5,088,427
Less accumulated depreciation	(2,234,549)	(1,930,928)
	$ 3,044,274	$ 3,157,499

Depreciation and amortization expense for the years ending June 30, 2021 and 2020 was $325,886 and $342,568, respectively.

Note 6. Notes Payable

New Market Tax Credit

In December 2013, the Alcove entered into a financial agreement to help fund the cost of leasehold improvements for a new facility and a reserve for operating costs through the use of the New Market Tax Credit (NMTC) program. Under this agreement, the Alcove received two loans totaling $5,880,000 from DDF Echo, LLC, that provided financing for the Gano Street property described in Note 9.

The Alcove executed the notes payable with DDF Echo, LLC on December 27, 2013 in the amounts of $4,206,200 (Note A) and $1,673,800 (Note B). Both notes bore interest at a rate of 1.281% per annum and both were secured by a deed of trust, security agreement, assignment of rents and leases, and financing statement as defined in the loan agreements. Annual interest-only payments were set to begin accruing for both notes on December 1, 2014, to be due and payable in arrears through December 1, 2020. Annual payments of interest and principal in the amounts of $204,689 and $81,453, for Note A and Note B, respectively, were to begin December 1, 2021 and become due and payable through the notes' maturities on December 1, 2033, at which time the remaining balances of principal and interest were to be paid.

Under the same NMTC program, also in December 2013, the Vogel Alcove Foundation provided a loan of $4,206,200 to the Chase NMTC Vogel Investment Fund, LLC (an unaffiliated investment structure, "the Fund"), with terms nearly identical to Note A, described above. The loan receivable by the Alcove was evidenced by the promissory note from the Chase NMTC Vogel Investment Fund, LLC, carrying an interest rate of 1% per annum, payable annually starting on December 1, 2014. Annual principal and interest payments to the Vogel Alcove Foundation were to begin December 1, 2021, through the maturity date of December 1, 2033.

On December 29, 2020, the Vogel Alcove Foundation exercised its put option under the NMTC agreement to purchase 100% interest in the Chase NMTC Vogel Investment Fund, LLC for $1,000. All parties executed the Fund Interest Purchase Agreement and Assignment and Assumption Agreement evidencing the transfer of 100% of the member interests in the Fund to the Alcove.

In January 2021, DDF Echo, LLC assigned the Alcove's first note payable (Note A) to the Fund, effectively forgiving the note, as the Vogel Alcove Foundation then forgave the note receivable due from the Fund in accordance with the NMTC agreement. Concurrently, DDF Echo, LLC forgave the Alcove's second note (Note B), in accordance with the NMTC agreement.

The Alcove recognized a gain in the statement of activities for the year ended June 30, 2021 related to the expiration of the new market tax credit arrangement of $1,656,511, calculated as follows:

Notes payable, forgiven	$ (5,880,000)
Note receivable, forgiven	4,206,200
Unamortized issuance cost	17,289
Gain on expiration of the new market tax credit	$ (1,656,511)

Amortization of deferred loan issuance costs related to these notes payable were $0 and $35,712 for the years ended June 31, 2021 and 2020, respectively, as the remaining unamortized issuance costs were included in the aforementioned gain on expiration of the new market tax credit.

The Alcove had $0 and $33,517 in cash restricted for full funding of the interest reserve at June 30, 2021 and 2020, respectively.

	2021	2020
Debt outstanding	$ -	$ 6,576,100
Unamortized issuance costs	-	(17,289)
Total debt, net of debt issuance costs	$ -	$ 6,558,811

Paycheck Protection Program Loan

The Organization received proceeds from a Paycheck Protection Program loan in April 2020 in the amount of $696,100, bearing interest at a rate of 1%, and set to mature in April 2021. The Organization received an additional $148,000 from a Paycheck Protection Program in March 2021, also bearing interest at a rate of 1% and set to mature in March 2026.

Both loans were eligible for forgiveness, subject to certain conditions, including how the proceeds of the loans were spent, as set forth in the loan agreement. The loans of $696,100 and $148,000 were forgiven in April and June 2021, respectively, and the Organization recognized a gain of $844,100 included in other revenues on the statement of activities for the year ended June 30, 2021 as a result.

Vogel Alcove

Notes to Consolidated Financial Statements

Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes as of June 30, 2021 and 2020:

	2021	2020
Holiday Store	$ -	$ 1,623
Mental health clinic	-	107,028
School Uniforms	-	163
Swimming lessons, suits, and water shoes	-	1,716
Teaching chess program	41,901	46,001
	$ 41,901	$ 156,531

Net assets were released from donor restrictions by incurring expenses or making capital expenditures satisfying the restricted purposes or by occurrence of other events specified by donors for the following purposes for the years ended June 30, 2021 and 2020:

	2021	2020
Awards for teacher excellence	$ -	$ 1,478
Backyard & Garden Projects	-	18,979
Bye-bye bags	10,000	4,000
Early childhood programs	-	113,500
Family support services	-	35,100
Holiday Store	1,623	1,297
Mayors Intern Project	-	3,255
Mental health clinic	162,028	87,916
New boiler	50,000	-
Parent opportunity center	18,500	-
School Age Program	-	25,000
School uniforms	163	587
Second floor sensory room	43,590	-
Summer camp field trips	500	-
Swimming lessons, suits, and water shoes	1,716	4,682
Teaching chess program	4,100	3,999
Technology and supplies	-	48,930
Third floor HVAC	45,000	-
	$ 337,220	$ 348,723

Note 8. Retirement Plan

The Organization has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Organization who elect to contribute to the plan. An employee may contribute any percentage of salary provided that the contribution does not exceed the maximum permitted by law. The Organization matches the employee's contribution up to 5% of the employee's salary. The Organization's contributions were $90,271 and $84,910 for the years ended June 30, 2021 and 2020, respectively.

Note 9. Commitments

In May 2018, the Organization renewed a five-year lease agreement with the Dallas Independent School District for the use of the former City Park Elementary School located at 1738 Gano Street, Dallas, Texas. Payments began on May 1, 2018 in fifty-seven equal monthly installments of $6,300. The Organization currently has the option of two renewals terms for five years each. The rent will increase five percent for each of the two renewal terms. The Organization also has other equipment leases of varying terms.

The following is a schedule by years of future minimum rental payments required under these operating leases for the year ending June 30, 2020:

Year Ending June 30,		
2022	$	85,024
2023		82,986
2024		79,380
2025		79,380
2026		79,380
Thereafter		601,965
	$	1,008,115

Rent expense charged to operations totaled $78,852 and $78,022 during the years ended June 30, 2021 and 2020, respectively.

Note 10. Contingencies and Concentrations

In order to qualify and receive federal and locally awarded funds, the Organization must comply with certain conditions and stipulations. If the Organization does not comply with such conditions and stipulations, it may be required to repay funds to the granting agency.

Regular funding of the Organization is derived from three main sources which are special events, government grants and contributions. Continuation of such funding at current levels in future periods is subject to various factors such as economic conditions, compliance with grant provisions, potential new legislation and continued applicability of mission.

The Organization operates within the City of Dallas and is subject to the economic conditions present in the area.

From time to time, the Organization is subject to certain claims and contingent liabilities that arise in the normal course of business. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the Organization's financial position.

Grant and pledge revenue and receivables routinely include concentrations from a single donor. The Organization's revenue concentration with this donor was 12% and 20% of revenue in fiscal years 2021 and 2020, respectively. This donor's portion of the grant and pledge receivables was 55% and 62% as of June 30, 2021 and 2020, respectively. Additionally, as of June 30, 2021, receivables from a separate donor comprised 30% of the Organization's grant and pledge receivables and the revenues recognized from this donor equate 32% of total revenue for the year then ended.

COVID-19

The extent of the operational and financial impact the COVID-19 pandemic may have on the Organization has yet to be determined and is dependent on its duration and spread, any related operational restrictions and the overall economy. While the disruption is expected to be temporary, there is uncertainty around the duration.

Note 11. Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021, comprise the following:

Cash and cash equivalents	$	921,650
Contributions receivable		135,241
Less: donor restrictions		(41,901)
Grants receivable		501,582
Investments		7,907,093
Financial assets available within one year for general expenditure	$	9,423,665

The Organization manages its liquidity and reserves by operating within a prudent range of financial soundness and responsibility, by maintaining adequate liquid assets to fund near-term operating needs, and by maintaining sufficient reserves to provide reasonable assurance that both short and long-term obligations will be discharged. The Vogel Alcove Foundation board of directors approves any transfer of funds from the Vogel Alcove Foundation to the Alcove.

Note 12. Subsequent Events

The Organization has evaluated subsequent events through December 1, 2021, the date which the consolidated financial statements were available to be issued. The Organization had no subsequent events to report.