

Vogel Alcove

Consolidated Financial Statements

June 30, 2024

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Independent Auditor's Report

To the Board of Directors of
Vogel Alcove
Dallas, Texas

Opinion

We have audited the 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, 2024 and 2023, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization, as of June 30, 2024 and 2023, and the respective changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued (or when applicable, one year after the date that the financial statements are available to be issued).

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

Weaver and Tidwell, L.L.P.
2300 North Field Street, Suite 1000 | Dallas, Texas 75201
Main: 972.490.1970

The Board of Directors of
Vogel Alcove

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
December 12, 2024

Vogel Alcove
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 1,690,198	\$ 637,358
Contributions receivable, net	2,288,751	61,984
Grants receivable	493,430	548,559
Prepaid expenses and other assets	113,223	128,074
Investments	6,949,929	8,449,602
Note receivable	4,271,400	-
Right-of-use assets, net	272,326	339,946
Property and equipment, net	6,358,048	2,796,341
TOTAL ASSETS	\$ 22,437,305	\$ 12,961,864
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 399,322	\$ 112,778
Accrued expenses and other payables	375,286	265,888
Lease liabilities, net	280,169	351,534
Note payable, net	5,614,596	-
Total liabilities	6,669,373	730,200
NET ASSETS		
Without donor restrictions	12,869,371	11,599,111
With donor restrictions	2,898,561	632,553
Total net assets	15,767,932	12,231,664
TOTAL LIABILITIES AND NET ASSETS	\$ 22,437,305	\$ 12,961,864

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

Vogel Alcove

Consolidated Statements of Activities

Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT						
Special events revenues	\$ 1,406,702	\$ -	\$ 1,406,702	\$ 1,406,281	\$ -	\$ 1,406,281
Less cost of direct benefits to donors	(765,771)	-	(765,771)	(656,878)	-	(656,878)
Net special events revenues	640,931	-	640,931	749,403	-	749,403
Contributions	1,371,561	4,277,880	5,649,441	1,536,272	748,600	2,284,872
In-kind contributions	238,515	1,878,332	2,116,847	140,153	-	140,153
Government grants	2,378,374	-	2,378,374	3,604,509	-	3,604,509
Interest and dividends	199,619	-	199,619	206,305	-	206,305
Other revenues	264,826	-	264,826	307,214	-	307,214
Realized and unrealized gains on investments	709,554	-	709,554	592,297	-	592,297
Net assets released from restrictions	3,890,204	(3,890,204)	-	621,908	(621,908)	-
Total revenues, gains and other support	9,693,584	2,266,008	11,959,592	7,758,061	126,692	7,884,753
EXPENSES						
Program services	6,713,162	-	6,713,162	5,774,999	-	5,774,999
Management and general	880,534	-	880,534	829,831	-	829,831
Fundraising	829,628	-	829,628	797,642	-	797,642
Total expenses	8,423,324	-	8,423,324	7,402,472	-	7,402,472
CHANGE IN NET ASSETS	1,270,260	2,266,008	3,536,268	355,589	126,692	482,281
NET ASSETS, beginning of year	11,599,111	632,553	12,231,664	11,243,522	505,861	11,749,383
NET ASSETS, end of year	<u>\$ 12,869,371</u>	<u>\$ 2,898,561</u>	<u>\$ 15,767,932</u>	<u>\$ 11,599,111</u>	<u>\$ 632,553</u>	<u>\$ 12,231,664</u>

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

Vogel Alcove

Consolidated Statements of Functional Expenses

Years Ended June 30, 2024 and 2023

	<u>Program Services</u>		<u>Total Program Expenses</u>	<u>Supporting Services</u>		<u>Total Supporting Expenses</u>	<u>2024 Total Expenses</u>
	<u>Child Care</u>	<u>Social Services</u>		<u>Management and General</u>	<u>Fundraising</u>		
Salaries and benefits	\$ 3,588,971	\$ 864,035	\$ 4,453,006	\$ 593,753	\$ 592,207	\$ 1,185,960	5,638,966
Supplies and travel	408,735	27,382	436,117	10,232	1,635	11,867	447,984
Services and professional fees	591,151	157,489	748,640	103,639	217,235	320,874	1,069,514
Office and occupancy	665,763	94,853	760,616	82,489	18,551	101,040	861,656
Interest expense	-	-	-	52,647	-	52,647	52,647
Depreciation and amortization	268,615	46,168	314,783	37,774	-	37,774	352,557
TOTAL EXPENSES	<u>\$ 5,523,235</u>	<u>\$ 1,189,927</u>	<u>\$ 6,713,162</u>	<u>\$ 880,534</u>	<u>\$ 829,628</u>	<u>\$ 1,710,162</u>	<u>\$ 8,423,324</u>

	<u>Program Services</u>		<u>Total Program Expenses</u>	<u>Supporting Services</u>		<u>Total Supporting Expenses</u>	<u>2023 Total Expenses</u>
	<u>Child Care</u>	<u>Social Services</u>		<u>Management and General</u>	<u>Fundraising</u>		
Salaries and benefits	\$3,337,204	\$ 674,367	\$4,011,571	\$ 562,201	\$ 625,609	\$1,187,810	\$5,199,381
Supplies and travel	309,613	21,902	331,515	16,598	4,812	21,410	352,925
Services and professional fees	431,477	166,523	598,000	104,183	124,983	229,166	827,166
Office and occupancy	442,174	94,516	536,690	97,382	42,238	139,620	676,310
Interest expense	-	-	-	941	-	941	941
Depreciation and amortization	242,631	54,592	297,223	48,526	-	48,526	345,749
TOTAL EXPENSES	<u>\$4,763,099</u>	<u>\$1,011,900</u>	<u>\$5,774,999</u>	<u>\$ 829,831</u>	<u>\$ 797,642</u>	<u>\$1,627,473</u>	<u>\$7,402,472</u>

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

Vogel Alcove
Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,536,268	\$ 482,281
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	345,362	332,514
Amortization	39,044	13,235
Noncash lease expense	(3,660)	608
Realized and unrealized gains on investments	(709,554)	(592,297)
(Increase) decrease in assets		
Contributions receivable	(2,226,767)	341,778
Grants receivable	55,129	(259,177)
Prepaid expenses and other assets	14,851	(74,290)
Other assets	-	23,438
Increase (decrease) in liabilities		
Accounts payable	286,544	15,127
Accrued expenses and other payables	109,398	29,781
Net cash provided by operating activities	<u>1,446,615</u>	<u>312,998</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	10,348,505	654,795
Purchases of investments	(8,139,278)	(1,413,011)
Purchases of property and equipment	(3,907,069)	(210,192)
Issuance of note receivable	(4,271,400)	-
Net cash used in investing activities	<u>(5,969,242)</u>	<u>(968,408)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Principal payments on financing lease	(7,280)	(14,778)
Payment of debt issuance costs	(297,253)	-
Proceeds from issuance of note payable	5,880,000	-
Net cash provided by (used in) financing activities	<u>5,575,467</u>	<u>(14,778)</u>
Net increase (decrease) in cash and cash equivalents	1,052,840	(670,188)
CASH AND CASH EQUIVALENTS, beginning of year	<u>637,358</u>	<u>1,307,546</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,690,198</u>	<u>\$ 637,358</u>
OTHER REQUIRED DISCLOSURES		
Cash paid for interest	<u>\$ 20,280</u>	<u>\$ -</u>

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

Vogel Alcove

Notes to Consolidated Financial Statements

Note 1. 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, 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.

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Notes to Consolidated Financial Statements

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, certificates of deposit, and some shares in privately traded investment pools (alternative investments). 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.

Quoted market prices for the Organization's alternative investments are not readily available, therefore such investments are measured based on net asset value (NAV) provided by the associated external investment managers. The reported NAV is subject to management's assessment that the valuation provided is representative of fair value. The Organization exercises diligence in assessing the policies, procedures, and controls implemented by its external investment managers, and thus believes the carrying amount of these assets represents a reasonable estimate of fair value. However, because alternative investments are generally not readily marketable, their estimated value is subject to inherent uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

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.

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Notes to Consolidated Financial Statements

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 assets 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 is unnecessary at June 30, 2024 and 2023. Actual write-offs may occur, but historically, the Organization has not experienced significant losses on receivables.

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 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023. The Organization files income tax returns in the U.S. federal jurisdiction. There are currently no income tax examinations underway for this jurisdiction.

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 lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

Right of use assets	4-15 years
Leasehold improvements	7-20 years
Equipment and furniture	5-15 years

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Notes to Consolidated Financial Statements

The Organization capitalizes property and equipment with a cost greater than \$2,000 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, 2024 and 2023.

In-Kind Contributions

In-kind contributions for the years ended June 30, 2024 and 2023, consisted of the following:

	2024	2023
Contributed goods	\$ 130,362	\$ 140,153
Contributed rental space	1,986,485	-
	\$ 2,116,847	\$ 140,153

The Organization recognizes contributed nonfinancial assets within revenue. Contributed goods are valued at the estimated fair values based on estimated values that would be received for selling similar products in the U.S. Contributed rental space was valued based on the value of the leased space as of the date the lease was entered into.

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 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, Blue Bird Bash, and Day 1 Dallas events. Contributions to the events are unrestricted funds that are available for support of the Organization's operations.

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Notes to Consolidated Financial Statements

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, 2024 and 2023 were \$829,628 and \$797,642, respectively.

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, 2024 and 2023 consisted of the following:

	2024	2023
Exchange-traded funds	\$ 5,831,618	\$ 6,967,674
Pooled investment fund	432,816	450,504
Certificates of deposit	685,495	1,031,424
Total investments at fair value	<u>\$ 6,949,929</u>	<u>\$ 8,449,602</u>

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.

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Notes to Consolidated Financial Statements

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

Assets measured at NAV: Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient, which is a reasonable estimate of fair value, have not been classified in the fair value hierarchy. The fair value amounts are presented to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

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.

Pooled investment funds: Pooled investment funds valued based primarily on net asset value.

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Notes to Consolidated Financial Statements

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 statements 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, 2024 and 2023:

Assets at Fair Value as of June 30, 2024					
	NAV	Level 1	Level 2	Level 3	Total
Exchange-traded funds					
Fixed income - domestic	\$ -	\$ 957,110	\$ -	\$ -	\$ 957,110
Equity - domestic	-	2,889,955	-	-	2,889,955
Equity - foreign	-	1,303,081	-	-	1,303,081
Other exchange-traded	-	681,472	-	-	681,472
Pooled investment fund	432,816	-	-	-	432,816
Certificates of deposit	-	-	685,495	-	685,495
Total	<u>\$ 432,816</u>	<u>\$ 5,831,618</u>	<u>\$ 685,495</u>	<u>\$ -</u>	<u>\$ 6,949,929</u>

Assets at Fair Value as of June 30, 2023					
	NAV	Level 1	Level 2	Level 3	Total
Exchange-traded funds					
Fixed income - domestic	\$ -	\$ 1,086,247	\$ -	\$ -	\$ 1,086,247
Equity - domestic	-	3,692,527	-	-	3,692,527
Equity - foreign	-	1,629,900	-	-	1,629,900
Other exchange-traded	-	559,000	-	-	559,000
Pooled investment fund	450,504	-	-	-	450,504
Certificates of deposit	-	-	1,031,424	-	1,031,424
Total	<u>\$ 450,504</u>	<u>\$ 6,967,674</u>	<u>\$ 1,031,424</u>	<u>\$ -</u>	<u>\$ 8,449,602</u>

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Notes to Consolidated Financial Statements

The following table summarizes the fair value, unfunded commitments, redemption frequency, and notice period for investments for which management uses net asset value per share or its equivalent as a practical expedient to determining fair value as of June 30, 2024 and 2023:

	<u>Fair value at June 30, 2024</u>	<u>Fair value at June 30, 2023</u>	<u>Unfunded commitments at June 30, 2024 and 2023</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Participation in pooled investment fund	\$ 432,816	\$ 450,504	\$ -	Semi-annually	95 days

The pooled investment fund invests primarily in broad equity and credit markets across various platforms. The fair value of the pooled investment fund has been estimated using the net asset value per share of the investment.

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 for present value at 3%, the Alcove's incremental borrowing 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 as follows:

	<u>2024</u>	<u>2023</u>
Due within one year	\$ 373,433	\$ 65,000
Due within one to five years	1,940,096	-
Total unconditional promises to give	2,313,529	65,000
Less discounts to present value	(11,722)	-
Less allowance for bad debt	(13,056)	(3,016)
Net unconditional promises to give	<u>\$ 2,288,751</u>	<u>\$ 61,984</u>

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Notes to Consolidated Financial Statements

Note 5. Property and Equipment

Property and equipment consists of the following at June 30, 2024 and 2023:

	2024	2023
Leasehold improvements	\$ 4,513,348	\$ 4,454,683
Equipment and furniture	1,107,152	1,012,760
	5,620,500	5,467,443
Construction in process	3,861,891	107,880
Less accumulated depreciation	(3,124,343)	(2,778,982)
	\$ 6,358,048	\$ 2,796,341

Depreciation and amortization expense related to property and equipment for the years ending June 30, 2024 and 2023 was \$345,362 and \$332,514, respectively.

Note 6. Net Assets with Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes as of June 30, 2024 and 2023:

	2024	2023
Capital; infrastructure	\$ -	\$ 107,120
Holiday	3,660	-
Medical clinic	-	79,388
Passage of time	435,196	-
Redbird operating expenses	2,428,332	-
Reimagine grant	-	24,660
Teaching chess program	31,094	35,384
Vogel Alcove North program	279	370,989
Workforce development training	-	15,012
	\$ 2,898,561	\$ 632,553

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Notes to Consolidated Financial Statements

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, 2024 and 2023:

	2024	2023
Capital; infrastructure	\$ 3,166,023	\$ 112,265
Case management	20,000	-
Family emergency fund	9,000	1,952
Holiday	4,500	-
Marketing	110,000	-
Medical clinic	79,388	75,552
Mental health clinic	6,620	4,600
Nonprofit empowerment	25,000	-
Program transportation	-	15,000
Reimagine grant	24,660	340
SEL Program	-	1,500
Summer camp	-	5,000
Staff recognition/appreication	25,000	-
Teaching chess program	4,291	4,200
Vogel Alcove North program	395,989	391,511
Vogel North Garden	4,721	-
Workforce development training	15,012	9,988
	\$ 3,890,204	\$ 621,908

Note 7. 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 \$102,538 and \$113,262 for the years ended June 30, 2024 and 2023, respectively.

Note 8. Leases

The Organization has three finance leases for office copier equipment, each for 48 month terms that began in June 2019, May 2020, and May 2022, respectively. The original finance lease ROU assets and liabilities from these leases were calculated as the present value of the sum of all lease payments discounted at 4%. This rate was selected as the result of the Organization electing an accounting policy to utilize a risk-free discount rate for its leases, as is permitted under the new accounting guidance. The ROU assets are amortized "straight-line" over the lease term while imputed interest is added to the finance lease liabilities over the term. Concurrently, actual lease payments made reduce the lease liabilities.

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Notes to Consolidated Financial Statements

Total finance lease costs for the years ended June 30, 2024, and 2023 are as follows:

	2024	2023
Amortization of ROU asset	\$ 39,044	\$ 13,235
Interest on lease liability	941	941
Total finance lease costs	\$ 39,985	\$ 14,176

The following table summarizes the annual undiscounted cash flows of the finance lease liabilities as of June 30, 2024:

	Year Ending June 30,	
	2025	\$ 5,208
	2026	4,340
Total future minimum lease payments		9,548
Less imputed interest		(300)
Total financing lease liability		\$ 9,248

The Organization has one operating lease for its campus and office facilities whose term began in August 2013 and lasts for 14 years and 9 months, which includes one lease extension of 5 years and excludes a second lease extension of 5 years. This term indicates the operating lease will expire in April 2028, as the Organization could not be reasonably certain that the second extension (through April 2033) would be exercised. The operating lease ROU asset and related lease liability were calculated as the present value of the sum of all lease payments included in the term.

Total operating lease costs for the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Total operating lease cost	\$ 79,380	\$ 76,545

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The following table summarizes the annual undiscounted cash flow of the operating lease liability as of June 30, 2024:

Year Ending June 30,		
2025	\$	79,380
2026		79,380
2027		79,380
2028		66,150
Total future minimum lease payments		304,290
Less imputed interest		(33,369)
Total operating lease liability	\$	270,921

Note 9. New Market Tax Credit

In September 2023, Vogel 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 program. Under this agreement, Vogel received two loans totaling \$5,880,000 from DDF Victor, LLC.

Vogel executed a note payable with DDF Victor, LLC. on September 26, 2023 in the amount of \$4,271,400. The note bears interest at a rate of 1.307% per annum. The note is secured with a security agreement, assignment of rents and leases, and financing statement as defined in the loan agreement. Commencing on December 1, 2023, annual payments of interest only shall be due and payable in arrears through December 1, 2030.

Commencing on December 1, 2031, annual payments of interest and principal in the amount of \$281,837 shall be due and payable through maturity on December 1, 2047, at which time the remaining balance of principal and interest shall be due and payable.

Vogel executed a second note payable with DDF Victor, LLC. On September 26, 2023 in the amount of \$1,608,600. The note bears interest at a rate of 1.307% per annum. The note is secured by a security agreement, assignment of rents and leases, and financing statement as defined in the loan agreement.

Commencing on December 1, 2023, annual payments of interest only shall be due and payable in arrears through December 1, 2030. Commencing on December 1, 2031, annual payments of interest and principal in the amount of \$106,139 shall be due and payable through maturity on December 1, 2047, at which time the remaining balance of principal and interest shall be due and payable. The principal payments on the loans do not become due until December 1, 2031.

The Vogel Foundation provided a loan of \$4,271,400 to the CHASE NMTC VOGEL REDBIRD INVESTMENT FUND, LLC (an unaffiliated investment structure). The loan is evidenced by a promissory note from the CHASE NMTC VOGEL REDBIRD INVESTMENT FUND, LLC, carrying an interest rate of 1% per annum, payable annually starting on December 10, 2023, providing for amortization of the principal from January 1, 2031, to the maturity date of December 31, 2043, with the first principal payment being due on December 10, 2031, and secured by the interests of the CHASE NMTC VOGEL REDBIRD INVESTMENT FUND, LLC in the lender of Vogel Alcove, DDF Victor, LLC, as mentioned in the first paragraph of this note.

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Notes to Consolidated Financial Statements

Deferred loan costs for the transaction were \$297,253, net of accumulated amortization of \$31,849 at June 30, 2024. These loan costs will be recognized over the life of the loans.

Note 10. Contingencies

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.

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, 2024, comprise the following:

Cash and cash equivalents	\$ 1,690,198
Contributions receivable	2,288,751
Grants receivable	493,430
Investments	6,949,929
Less: donor restrictions	<u>(2,898,561)</u>
Financial assets available within one year for general expenditure	<u>\$ 8,523,747</u>

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 12, 2024, the which the consolidated financial statements were available to be issued. The Organization had no subsequent events to report.