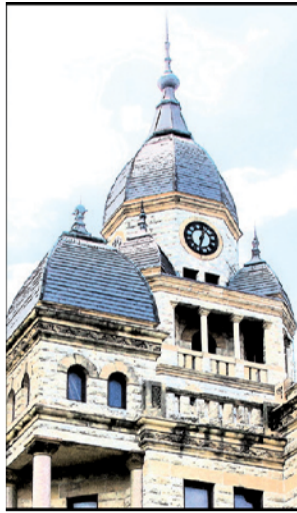


ANDERSON  
SPECTOR  
& Company, P.C.



CERTIFIED PUBLIC  
ACCOUNTANTS

222 E. McKinney  
Suite 100  
Denton  
Texas 76201

**Denton Assistance Center, Inc.  
Dba Serve Denton**

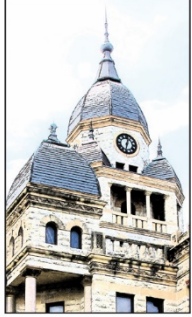
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Consolidated Financial Statements  
For the Year Ended December 31, 2020  
*prepared for*

**Denton Assistance Center, Inc.**  
**Consolidated Financial Statements**  
**For the Year Ended December 31, 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Denton Assistance Center, Inc.

We have audited the accompanying consolidated financial statements of Denton Assistance Center, Inc. (a nonprofit corporation), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Denton Assistance Center, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Anderson, Spector & Company, P.C.*

ANDERSON, SPECTOR & COMPANY, P.C.

Denton, Texas

March 8, 2021

**Denton Assistance Center, Inc.**  
**Consolidated Statement of Financial Position**  
**December 31, 2020**

**ASSETS**

Current Assets	
Cash	\$ 813,591
Accrued Interest Receivable	7,265
Contributions Receivable	7,123
Prepaid Expenses	23,504
Total Current Assets	851,483
Cash Restricted by Debt Agreements	300,874
Cash Restricted for Capital Projects	7,279
Contributions Receivable, Net, Less Current Portion	510,933
Property and Equipment	
Furniture, Fixtures & Equipment	201,121
Buildings and Improvements	7,220,376
Land	1,464,929
	8,886,426
Less: Accumulated Depreciation	(553,205)
Net Property and Equipment	8,333,221
NMTC Notes Receivable	6,467,300
Total Assets	\$ 16,471,090

**LIABILITIES & NET ASSETS**

Current Liabilities	
Accounts Payable	\$ 66,840
Accrued Expenses	49,834
Current Portion of Notes Payable	430,895
Total Current Liabilities	547,569
NMTC Notes Payable	8,874,422
Notes Payable	3,217,927
	12,639,918
Net Assets	
Without Donor Restrictions	3,262,765
With Donor Restrictions	568,407
Total Net Assets	3,831,172
Total Liabilities & Net Assets	\$ 16,471,090

The accompanying notes are an integral part of these financial statements.

**Denton Assistance Center, Inc.**  
**Consolidated Statement of Activities**  
**For the Year Ended December 31, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Support and Revenues			
Pledges and Contributions	\$ 245,290	\$ 676,596	\$ 921,886
Contributions and Net Revenue - Special Events	79,411	-	79,411
Program Rental Income	391,881	-	391,881
Other	6,481	-	6,481
Interest & Dividends	91,322	-	91,322
Net Assets Released from Restrictions	954,074	(954,074)	-
Total Support and Revenues	1,768,459	(277,478)	1,490,981
Expenses			
Program Services			
Assistance to Non Profit Organizations	1,112,494	-	1,112,494
Total Program Services	1,112,494	-	1,112,494
Supporting Services			
General Administration	303,981	-	303,981
Fundraising	199,029	-	199,029
Total Supporting Services	503,010	-	503,010
Total Expenses	1,615,504	-	1,615,504
Total Changes in Net Assets	152,955	(277,478)	(124,523)
Net Assets, Beginning of Year	3,109,810	845,885	3,955,695
Net Assets, End of Year	\$ 3,262,765	\$ 568,407	\$ 3,831,172

The accompanying notes are an integral part of these financial statements.

**Denton Assistance Center, Inc.**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended December 31, 2020**

	Total Amount	<u>Program Services</u>	<u>Supporting Services</u>	
		Assistance to Non Profits	General Administration	Fund Raising
Advertising	\$ 11,292	\$ 1,129	\$ 1,129	\$ 9,034
Bad Debt	48,000	-	48,000	-
Bank & Merchant Fees	7,012	-	3,506	3,506
Computer Expenses	21,398	5,350	5,349	10,699
Depreciation	218,273	196,446	10,913	10,914
Insurance	33,416	26,733	6,683	-
Interest Expense	419,743	377,769	20,987	20,987
Loan Servicing and Other Fees	62,496	56,246	3,125	3,125
Miscellaneous	2,578	-	2,578	-
Payroll Taxes	31,461	14,629	7,394	9,438
Postage and Shipping	821	-	410	411
Professional Fees	64,915	21,392	43,523	-
Rent	5,184	4,666	259	259
Repairs and Maintenance	195,350	156,280	39,070	-
Salaries and Benefits	413,793	192,414	97,241	124,138
Supplies	29,187	18,972	8,756	1,459
Utilities	50,585	40,468	5,058	5,059
<b>Total Expenses</b>	<b>\$ 1,615,504</b>	<b>\$ 1,112,494</b>	<b>\$ 303,981</b>	<b>\$ 199,029</b>

The accompanying notes are an integral part of these financial statements.

**Denton Assistance Center, Inc.**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2020**

Cash Flows from Operating Activities	
Contributions Received	\$ 419,783
Program Rents Received	391,881
Interest Received	91,322
Cash Paid to Suppliers and Employees	(992,889)
Interest Paid	<u>(322,069)</u>
Net Cash Used by Operating Activities	(411,972)
Cash Flows from Investing Activities	
Proceeds from Sale of Equipment	10,260
Purchases of Property and Equipment	<u>(108,189)</u>
Net Cash Used by Investing Activities	(97,929)
Cash Flows from Financing Activities	
Collection of Contributions Restricted for Capital Projects	792,550
Principal Payments on Notes Payable	<u>(60,506)</u>
Net Cash Provided by Financing Activities	<u>732,044</u>
Increase in Cash	222,143
Cash and Restricted Cash at Beginning of Year	<u>899,601</u>
Cash and Restricted Cash at End of Year	<u><u>\$ 1,121,744</u></u>

The accompanying notes are an integral part of these financial statements.



**Denton Assistance Center, Inc.**  
**Consolidated Statement of Cash Flows (Continued)**  
**For the Year Ended December 31, 2020**

Reconciliation of Changes in Net Assets to Net Cash Used by Operating Activities:

Changes in Net Assets	\$	(124,523)
Adjustments to Reconcile Changes in Net Assets to Net Cash Used by Operating Activities		
Gain on Sale of Equipment		(1,524)
Provision for Bad Debt		48,000
Depreciation		218,273
Amortization of Debt Issuance Costs		95,963
Contributions Restricted to Capital Projects		(587,995)
Changes in Operating Assets and Liabilities		
Increase in Prepaid Expenses		(9,967)
Decrease in Accounts Payable		(38,955)
Decrease in Accrued Expenses		(11,244)
		(11,244)
Net Cash Used by Operating Activities	\$	(411,972)

The accompanying notes are an integral part of these financial statements.

**Denton Assistance Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2020**

**NOTE 1 - NATURE OF ACTIVITIES**

The consolidated financial statements include the accounts of Denton Assistance Center, Inc. (“DAC”) and Serve Denton Center, Inc. (“SDC”), collectively, the “Organization”.

DAC was incorporated as a Texas nonprofit corporation in 2001 but had no significant financial activity until 2011. DAC operates using the name Serve Denton. Serve Denton’s mission is to partner with nonprofits to help make their services more accessible for people in need. Serve Denton accomplishes this mission by developing and managing shared spaces and services for other nonprofit organizations at below-market rates. The nonprofit organizations are able to offer health and human services at a central location. The Organization is supported primarily through lease revenue, donor contributions and corporate grants.

Serve Denton Center, Inc. is a corporation formed on April 30, 2018 specifically to act as the borrower for the New Market Tax Credit (“NMTC”) funding as a Qualified Active Low-Income Community Business (“QALICB”). SDC is organized to operate as a supporting organization for DAC under Section 509 (a)(3) of the Internal Revenue Code. SDC was incorporated in the State of Texas and filed its application for exemption from federal income tax under 501(c)(3) in December 2018 and received approval in July 2019.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of DAC and SDC. Intercompany transactions and balances have been eliminated in consolidation.

**Cash and Cash Equivalents**

The Organization defines cash and cash equivalents to be all highly liquid investments with an original maturity of three months or less. Cash and cash equivalents consist of checking and savings accounts.

**Denton Assistance Center, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 31, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Pledged Contributions Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using a risk adjusted interest rate applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

**Allowance for Uncollectible Contributions**

Management provides for estimated uncollectible amounts through a provision for bad debt expense. Management determines the allowance based on their judgment including such factors as prior collection history, type of contribution, past due amounts and a review of subsequent collections. Balances that are outstanding after management has used reasonable collection efforts are written off.

**Income Tax Status**

DAC and SDC qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and are classified by the Internal Revenue Service as other than a private foundation.

**Net Assets**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

**Denton Assistance Center, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 31, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Revenue and Revenue Recognition**

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The organization records special event revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. Lessor revenue is recognized when earned.

**Use of Estimates**

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

**Advertising**

Advertising costs are expensed as incurred. Advertising costs were \$11,292 for the year ended December 31, 2020.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited using estimates of time and effort as well as square footage.

**Change in Accounting Principle**

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842) that replaces existing lease guidance. The accounting applied by lessors under Topic 842 is largely unchanged from previous GAAP. Some changes to the lessor accounting guidance were made to align both of the following: i) lessor accounting guidance with certain changes made to the lessee accounting guidance and ii) key aspects of the lessor accounting model with revenue recognition guidance. These changes will become effective for the Organization for periods beginning after December 15, 2020. The Organization is currently evaluating the effect the guidance will have on the consolidated financial statements, but does not expect any material impact to its consolidated financial statements.

**Denton Assistance Center, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 31, 2020**

NOTE 3 - LIQUIDITY AND AVAILABILITY

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

Cash	\$	813,591
Accrued Interest Receivable		7,265
Contributions Receivable, Current		<u>7,123</u>
	\$	<u>827,979</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization actively pursues fundraising opportunities and has established a broad base of local businesses and individuals for support. The NMTC debts include restrictive loan covenants which are addressed in Note 9 - Notes Payable. Additionally, included in the cash restricted by debt agreements is \$2,827 in current interest reserves.

NOTE 4 - CASH RECONCILIATION

The following provides a reconciliation of cash and restricted cash reported within the consolidated statement of financial position that sum to the total of the same such amounts shown in the consolidated statement of cash flows:

Cash	\$	813,591
Cash Restricted by Debt Agreements		300,874
Cash Restricted for Capital Projects		<u>7,279</u>
	\$	<u>1,121,744</u>

NOTE 5 - CONTRIBUTED GOODS AND SERVICES

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended December 31, 2020.

**Denton Assistance Center, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 31, 2020**

NOTE 6 - CONTRIBUTIONS RECEIVABLE

Contributions receivable are estimated to be collected as follows at December 31, 2020:

Contributions receivable in less than one year	\$ 238,391
Contributions receivable in one to five years	327,139
Contributions receivable in more than five years	<u>10,000</u>
	575,530
Less discount to net present value at 6.3%	(22,474)
Less allowance for uncollectible contributions	<u>(35,000)</u>
	<u>\$ 518,056</u>

These pledges are included as collateral in the Loan and Security Agreement dated December 20, 2018 between DAC and Capital Impact Partners for the Bridge Loan and the Source Loan.

NOTE 7 - NEW MARKET TAX CREDIT TRANSACTION

In connection with the Organization’s effort to expand their facilities and services, the Organization obtained financing utilizing the federal New Market Tax Credit Program (“NMTC”) during 2018. The NMTC program was designed to stimulate investment and economic growth in low income communities by offering taxpayers a tax credit against federal income taxes over a seven year period for Qualified Equity Investments (“QEIs”) in designated Community Development Entities (“CDEs”). CDEs receive NMTC allocations pursuant to Section 45D of the Internal Revenue Code. These designated CDEs must use substantially all of the proceeds to make Qualified Low Income Community Investments (“QLICIs”). To earn the tax credit, the QEI must remain invested in the CDE for a seven year period. Also, the entity receiving the loans needs to be treated as a Qualified Active Low Income Community Business (“QALICB”) for the duration of the seven year period and meet the requirements as outlined in Treasury Regulation Section 1.45D 1(d)(4)(i).

In connection with the NMTC transaction, U.S. Bancorp Community Development Corporation (the “NMTC Investor”) made an equity investment in Twain Investment Fund 350, LLC (the “Investment Fund”) of \$3,038,100. DAC borrowed \$795,000 (the “Bridge Loan”) and \$2,875,000 (the “Source Loan”) as well as received significant contributions from other partnering non-profits and a financial institution and loaned \$6,467,300 to the Investment Fund. The Investment Fund then made a Qualified Equity Investment totaling \$9,500,000 in Impact CDE 69, LLC (the “CDE”). The CDE then utilized the QEI to make Qualified Low Income Community Investment loans of \$6,467,300 (the “A Note”) and \$2,842,700 (the “B Note”) to SDC.

SDC then used the loan funds for the acquisition of real property and buildings and other improvements by DAC for \$ 4,074,797 as part of a reimbursement agreement. SDC, the QALICB, will lease the real property, building and improvements as a part of the Serve Denton lease agreement with DAC, which began in March of 2019.

**Denton Assistance Center, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 31, 2020**

NOTE 7 - NEW MARKET TAX CREDIT TRANSACTION (Continued)

DAC granted to the NMTC investors, the right and option but not the obligation to require DAC to purchase all of the investor's interest in the Investment Fund (the "Put") at the end of the NMTC compliance period for \$1,000 plus additional transfer and closing costs and any additional amounts not previously reimbursed to the investors. In the event that the investor has not exercised the Put, DAC shall have the right and option (the "Call") to purchase all of the investor's interest in the Investment Fund at the greater of fair market value or the Put price. No amounts have been recorded in the accompanying consolidated financial statements related to these put and call options.

NOTE 8 - NOTE RECEIVABLE

In connection with the NMTC transaction, DAC advanced \$6,467,300 to the Investment Fund and was issued a note receivable. The note accrues interest at 1.348%. Payments of interest only are required quarterly through December 2025. Principal in an amount sufficient to amortize the outstanding principal amount over the remaining term of the note on a level payment basis and interest payments are required March 2026 through maturity in December 2048. The note is secured by the first priority security interest in the Investment Fund's equity interest in the CDE.

NOTE 9 - NOTES PAYABLE

In connection with the NMTC transaction, DAC entered into two long-term notes payable, the "Bridge Loan" and "Source Loan". The Bridge Loan is payable to Capital Impact Partners, in the original amount of \$795,000, at an interest rate of 6.50%, with quarterly interest payments only beginning March 2019 and the entire principal balance due on December 2021, secured by all of the assets of the Borrower, DAC. The balance outstanding for the Bridge Loan at December 31, 2020 is \$417,724. The Source Loan is payable to Capital Impact Partners, in the original amount of \$2,875,000, at an interest rate of 6.25%, with quarterly interest payments only beginning March 2019 and the entire principal balance due on June 2026, secured by all of the assets of the Borrower, DAC.

Additionally, in connection with the NMTC transaction, SDC entered into the Loan and Security Agreement (the "Loan Agreement") with the CDE consisting of total borrowings of \$9,310,000. The commitment is evidenced by two promissory notes, the "QLICI Loan A" and "QLICI Loan B". QLICI Loan A's promissory note is in the amount of \$6,467,300, at an interest rate of 1%, with quarterly interest payments only beginning March 2019 through December 2025. Principal and interest payments commence on March 2026 in the amount of \$68,404 and are paid quarterly through the maturity date of December 2052. QLICI Loan B's promissory note is in the amount of \$2,842,700, at an interest rate of 1%, with quarterly interest payments only beginning March 2019 through December 2025. Principal and interest payments commence on March 2026 in the amount of \$30,067 and are paid quarterly through the maturity date of December 2052.

**Denton Assistance Center, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 31, 2020**

NOTE 9 - NOTES PAYABLE (Continued)

The QLICI loans are secured by all of SDC’s assets as well as any additional contracts, leases, rental agreements and additional items as defined in the Loan Agreement. The Loan Agreement contains representations and warranties, and covenants customary for financings of this type including, but not limited to, limitations on additional asset sales, maintenance of reserve bank accounts, leases and financial covenants. The financial covenants require the Organization to maintain the following specific ratios: SDC debt coverage ratio (not less than 1.01:1); DAC lease and required debt coverage ratio (not less than 1.20:1), DAC full lease and debt coverage ratio (not less than 1:1) and DAC days cash on hand of not less than 30 days. The Organization was in compliance with these financial covenants at December 31, 2020.

In connection with the NMTC transaction and the issuance of the QLICI loans, SDC incurred total debt issuance costs of \$615,470. The amortization of the debt issuance costs is included in interest expense and amortized on a straight line basis over 7 years, the expected loan period for the NMTC loans. The total amount included in interest expense for 2020 is \$88,592.

On January 26, 2018, DAC entered into a loan agreement for \$500,000. The note is secured by the Wheeler House building and improvements, carries an initial interest rate of 4.75% which was modified during June 2020 to an interest rate of 4.25%, subject to change in 2025 and adjusted annually to the Prime Rate. The unpaid principal balance and interest are due and payable in equal monthly installments until the maturity date of June, 2040. The balance outstanding for the Wheeler House loan at December 31, 2020 is \$393,624.

Future maturities of the above notes payable are as follows:

2021	\$	430,895
2022		188,961
2023		189,567
2024		190,157
2025		190,858
Thereafter		<u>11,805,910</u>
		12,996,348
Less debt issuance costs		<u>(473,104)</u>
	\$	<u><u>12,523,244</u></u>



**Denton Assistance Center, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 31, 2020**

NOTE 10 - PAYCHECK PROTECTION PROGRAM

On April 23, 2020, DAC received loan proceeds in the amount of approximately \$88,600 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“Cares Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities and maintains certain payroll levels.

In accordance with ASU 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, DAC has classified the PPP loan as a conditional grant and has recognized the loan amount of \$88,600 in contribution revenue during 2020 as the conditions of release were substantially met and there is no related liability in the financial statements at December 31, 2020. In February 2021, DAC was notified that the loan was forgiven.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of \$568,407 at December 31, 2020 are restricted to capital expenditures as part of the Serve Denton capital campaign.

NOTE 12 - PROPERTY AND EQUIPMENT

Property and equipment are stated at cost if purchased or if donated, at estimated fair market value at the date of gift. The Organization capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Depreciation is calculated on the straight-line method over the estimated useful lives of the respective assets. Buildings and improvements are depreciated over 20-40 years and furniture, fixtures and equipment are depreciated over 5-10 years. Total depreciation expense for 2020 was \$218,273.

On August 29, 2017, the Organization purchased a new facility (Serve Denton Center) for \$2,800,000 which includes a 32,500 square foot building and 5 acres of land. During 2018, Phase 1 construction on the new facility was completed and placed into service. During 2019, Phases 2, 3 and 4 were completed. All of the Organization’s property and equipment serve as collateral for their loan agreements.

**Denton Assistance Center, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 31, 2020**

NOTE 13 - TENANT LEASES

The Organization offers shared space to various nonprofits through short and long term leases in their facilities at below market rates. The Organization has partnered with three nonprofits during 2018 that have signed 7-10 year leases and two of the partners contributed \$1,300,000 during 2018 for improvements that were made during 2019. Future minimum rentals to be received on noncancelable leases for the next five years are as follows:

2021	\$ 396,212
2022	258,931
2023	256,805
2024	264,509
2025	<u>272,444</u>
	\$ <u>1,448,901</u>

NOTE 14 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the year ended December 31, 2020. Net assets released were as follows:

Program restrictions accomplished:	
Capital Items	\$ 865,474
Operations including Payroll	<u>88,600</u>
Net Assets Released From Restrictions	\$ <u>954,074</u>

NOTE 15 - SPECIAL EVENTS

Many of the Organization's fundraising events were unable to be conducted normally during 2020 due to the COVID-19 pandemic, including its annual Celebration event. Despite these circumstances, funds were still collected and costs incurred through virtual or other fundraising formats as follows:

Celebration Event:	
Special Event Revenue	\$ 96,310
Cost of Event	<u>19,080</u>
Net Celebration Event Revenue	77,230
Other Special Events:	
Special Event Revenue	4,844
Cost of Event	<u>2,663</u>
Net Other Special Events Revenue	<u>2,181</u>
Total Net Special Events Revenue	\$ <u>79,411</u>

**Denton Assistance Center, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 31, 2020**

**NOTE 16 - CREDIT RISK FROM CASH IN EXCESS OF INSURED LIMITS**

The Organization manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced losses in any of these accounts. As of December 31, 2020, the Organization's uninsured cash balance was \$221,925.

**NOTE 17 - SUBSEQUENT EVENTS**

**Covid-19**

In March 2020, the World Health Organization classified a new strain of coronavirus ("COVID-19") as a world-wide pandemic. As a result of the response to the pandemic, the United States experienced a decline in economic activity which continues to evolve as of the date of this report. The ultimate effects on the Organization's financial condition, liquidity and future results of operations cannot be determined. Accordingly, no adjustments have been made to the financial statements.

**Second Draw PPP Loan**

The Organization applied for the second round of PPP funding during 2021 and received funding in the amount of \$89,100 during February of 2021.

**Evaluation of Subsequent Events**

The Organization has evaluated subsequent events through March 8, 2021, the date which the financial statements were available to be issued.