

ENVIRONMENTAL FUND FOR TEXAS, INC.
dba EARTHSHARE OF TEXAS

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

June 30, 2019

ENVIRONMENTAL FUND FOR TEXAS, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Environmental Fund for Texas, Inc.
dba Earthshare of Texas

We have audited the accompanying financial statements of Environmental Fund for Texas, Inc. dba EarthShare of Texas (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Environmental Fund for Texas, Inc. dba EarthShare of Texas as of June 30, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Allman & Associates, Inc.

Austin, Texas
May 6, 2020

ENVIRONMENTAL FUND FOR TEXAS, INC.
dba EARTHSHARE OF TEXAS

STATEMENT OF FINANCIAL POSITION

June 30, 2019

Assets

Current Assets:

Cash and cash equivalents	\$	622,338
Restricted cash		73,051
Pledges receivable		161,036
Grants receivable		25,000
Other receivables		181,019
Membership dues receivable		95,193
Prepaid expenses		1,143
Total Current Assets		<u>1,158,780</u>

Furniture and equipment		9,607
Less: Accumulated depreciation		<u>(9,607)</u>
Furniture and equipment, net		<u>-</u>

Total Assets	\$	<u>1,158,780</u>
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Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$	6,927
COACCC funds payable		68,569
Distributions payable		473,991
Waco SECC payable		2,801
Other campaigns payable		200,662
Total Current Liabilities		<u>752,950</u>

Net Assets:

Without donor restrictions		
Undesignated		<u>405,830</u>
Total Net Assets		<u>405,830</u>

Total Liabilities and Net Assets	\$	<u>1,158,780</u>
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See accompanying auditors' report and notes to financial statements.

ENVIRONMENTAL FUND FOR TEXAS, INC.
dba EARTHSHARE OF TEXAS

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

Change in Net Assets Without Donor Restrictions:

Public Support and Revenue

Public Support

Gross campaign pledges	\$	324,089
Less: Fees and shrinkage		(53,584)
Less: Designated to specific organizations		(237,601)
Public support designated to EarthShare of Texas		<u>32,904</u>

Revenue

Membership dues	162,150
Cause campaign revenue	551,000
Management fee revenue	50,290
Grants and contributions	32,073
In-kind contributions	32,500
Other income	2,091
Interest income	492

Total Revenue 830,596

Total Public Support and Revenue 863,500

Expenses

Program services	
Campaign management	836,344
Supporting services	
Management and general	57,017
Fundraising	2,352
Total supporting services	<u>59,369</u>

Total Expenses 895,713

Change in net assets without donor restrictions (32,213)

Net assets, beginning of year 438,043

Net assets, end of year \$ 405,830

See accompanying auditors' report and notes to financial statements.

ENVIRONMENTAL FUND FOR TEXAS, INC.
dba EARTHSHARE OF TEXAS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Campaign Management</u>	<u>Management and General</u>	<u>Fundraising</u>	
Wages and benefits	\$ 167,404	\$ 20,926	\$ 1,902	\$ 190,232
Advertising and promotion	400	-	-	400
Affiliation fee	10,388	-	-	10,388
Bank charges	2,117	-	-	2,117
Bad debt expense	-	2,118	-	2,118
Campaign fees and expenses	13,024	-	-	13,024
Distributions to members	32,904	-	-	32,904
Dues and subscriptions	239	-	-	239
Insurance	1,377	172	16	1,565
In-kind rent	28,600	3,575	325	32,500
Cause campaign distributions	551,000	-	-	551,000
Office expense	-	1,298	-	1,298
Postage and shipping	338	-	-	338
Printing and reproduction	1,916	239	22	2,177
Professional services	-	27,669	-	27,669
Repairs and maintenance	2,710	339	30	3,079
Supplies	2,245	280	26	2,551
Telephone	1,616	202	18	1,836
Travel	6,917	199	13	7,129
Waco Area SECC expenses	678	-	-	678
Capitol Area SECC expenses	12,471	-	-	12,471
Total Expenses	<u>\$ 836,344</u>	<u>\$ 57,017</u>	<u>\$ 2,352</u>	<u>\$ 895,713</u>

See accompanying auditors' report and notes to financial statements.

ENVIRONMENTAL FUND FOR TEXAS, INC.
dba EARTHSHARE OF TEXAS

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

Cash Flows From Operating Activities:	
Change in Net Assets	\$ (32,213)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Changes in assets and liabilities:	
Pledges receivable	46,462
Grants receivable	(25,000)
Membership dues and other receivables	(211,127)
Prepaid expenses	605
Accounts payable	(952)
COACC funds payable	(28,980)
Distributions payable	68,074
Net Cash Used By Operating Activities	<u>(183,131)</u>
Change In Cash and Cash Equivalents	(183,131)
Beginning Cash and Cash Equivalents	<u>878,520</u>
Ending Cash and Cash Equivalents	<u>\$ 695,389</u>
Supplemental disclosure of cash flow information:	
Income taxes paid	<u>\$ -</u>
Interest paid	<u>\$ -</u>

See accompanying auditors' report and notes to financial statements.

ENVIRONMENTAL FUND FOR TEXAS, INC.
dba EARTHSHARE OF TEXAS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Environmental Fund for Texas, Inc., dba EarthShare of Texas, (the “Organization”) is a not-for-profit organization that was founded in 1992 as a federation of qualified member organizations (“Members”). The Organization conserves natural resources and builds a healthy and sustainable environment by leveraging monetary contributions to its member organizations, employers, and the community. The Organization supports more than 40 of the most respected conservation and environmental organizations in Texas. From air quality to wildlife rehabilitation to the development of green technology, Members work to protect the environment. In 1997, the Organization affiliated itself with EarthShare, a national federated fund-raising organization, and supports more than 30 national organizations through this affiliation. EarthShare primary revenues are membership dues and cause campaign revenue.

The Organization protects its donors by ensuring that each of its member groups adheres to strict eligibility criteria and operates with the highest possible ethical and professional standards. Members are also required to pay annual dues which are used to fund the operations of the Organization. The Organization’s main activity is campaign management. Annual campaigns are conducted by the Organization to raise public support for distribution to members. Funds are raised during a campaign period, which is the time between the start of the planning, promotion, and initiation of appeals for contributions and pledges under a particular annual campaign and the formal termination date of the campaign. Most annual campaigns of the Organization are conducted in the fall of each year. The Organization distributes campaign funds using a distribution year, which is the 12-month period for which funds from a particular campaign are earmarked to be distributed to participating agencies. Distributions are made quarterly. The Organization earns administrative fees for conducting campaigns, monitoring and distributing funds to participant agencies, and other donor designated organizations.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Using this method of accounting, revenues and other support and the related accounts receivable are reported when the funds are considered earned, regardless of when the cash is received. Expenses and the related accounts payable are reported when the obligation is incurred, regardless of when the cash is disbursed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ENVIRONMENTAL FUND FOR TEXAS, INC.
dba EARTHSHARE OF TEXAS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor, or grantor, imposed restrictions. Financial statement presentation follows the Financial Accounting Standards Board ASC 958-205, *Not-for-Profit Entities Presentation of Financial Statements*.

Net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and are not subject to donor-imposed restrictions. These net assets may be used for any purpose or designated for specific purposes by action of the board.

Net assets with donor restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature and require that the assets be maintained permanently. 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. There were no net assets with donor restrictions at June 30, 2019.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers cash and highly liquid investments with maturities of three months or less when purchased to be cash equivalents, except when held specifically for investment purposes. Restricted cash is included in the cash and cash equivalents in the statement of cash flows at year end. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the statement of financial position that sum to totals of the same such amounts in the statement of cash flows.

	Amount
Cash	\$ 494,465
Money market	127,873
Restricted cash -City of Austin Charitable Campaign	70,280
Restricted cash -Waco SECC	2,771
	<hr/>
Total	<u>\$ 695,389</u>

ENVIRONMENTAL FUND FOR TEXAS, INC.
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NOTES TO FINANCIAL STATEMENTS

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Campaign Pledges

Campaign pledges are recorded in the financial statements upon receipt of pledge information from the campaigns. The Organization honors designations made to each member organization. As all pledges are expected to be collected within one year, they are recorded at their net realizable value, which approximates fair value. This is achieved by recording the pledges net of the estimated uncollectible pledges (shrinkage) and for estimated costs incurred by others (fees). Shrinkage occurs when state employees leave their employment thus leaving pledge balance as uncollectible. This shrinkage is calculated based on historical collection percentages.

Contributions and Grants

Contributions and grants are considered available for unrestricted use unless specifically restricted by donor or grantor. Donor-restricted contributions and grants are reported as increases in donor-restricted net assets depending on the nature of the restriction. When a restriction expires, donor-restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions with donor restrictions received in the same year as the restriction expires are reported as unrestricted.

Receivables

Pledges, grants and membership dues receivable report promises to give, amounts owed due to contractual relationships, or membership fees due from participating agencies. Any allowance for uncollectible amounts is based on prior years' collection experience, the age of the receivable, and management's analysis of any other specific circumstances related to individual receivables. The allowance for uncollectible accounts is considered an accounting estimate. This estimate may be adjusted as more current information becomes available and any adjustment could be significant. There were no balances for allowances for uncollectible accounts as of June 30, 2019 as all balances were deemed collectible by management.

Furniture and Equipment

Furniture and equipment items in excess of \$500 are capitalized at cost, or if donated, at estimated fair value at the time of donation. Depreciation is computed on a straight-line basis using estimated useful lives of three to ten years. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the period. Maintenance and repairs are charged to expense as incurred. Depreciation expense was \$0 for the year ended June 30, 2019.

ENVIRONMENTAL FUND FOR TEXAS, INC.
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NOTES TO FINANCIAL STATEMENTS

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Distributions Payable

Pledges that are designated to the Organization's member agencies are recorded as distributions payable. Cash received from campaigns is allocated to each participating member agency in the ratio that each agency was designated from the relevant campaign. Member's share of undesignated pledges is calculated based upon a board-approved formula. Prior to the quarterly distribution of the campaign receipts to Members, expenses approved by the Members are deducted and are recorded as administrative charges for raising funds on behalf of others.

COACCC Funds Payable

Pledges and contributions that are designated to the Organization's member agencies that are received from participating City of Austin employees are recorded as City of Austin Combined Charities Campaign ("COACCC") funds payable. Cash received is allocated to each participating member agency in the ratio that each agency was designated from the donor. The Member's share of undesignated pledges is calculated based upon a ratio derived from the percent of designated funds received. Fund are distributed on a bi-monthly basis and administrative charges are deducted on the first distribution of the year.

Functional Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or that relate to a specific source of revenue are allocated directly to that program.

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalent accounts exceeded the maximum Federal Deposit Insurance Corporation limits by \$485,219 at June 30, 2019.

The Organization generally does not maintain collateral for its accounts receivable and does not believe significant credit risk exists as of June 30, 2019.

ENVIRONMENTAL FUND FOR TEXAS, INC.
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NOTES TO FINANCIAL STATEMENTS

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Additionally, the Organization qualifies for the charitable contribution deduction and has been classified as an organization other than a private foundation under Section 509(a).

The Organization has adopted the recognition requirements for uncertain tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The Organization has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial position, changes in its net assets or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2019. The Organization is subject to income tax audits for the previous three years which are open. There are currently no audits for any tax periods in progress.

Change in Not-for-Profit Accounting Standard

On August 18, 2016, FASB issued accounting standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information about expenses and investment return. ASU 2016-14 has been implemented and the presentation in the financial statements has been adjusted accordingly.

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

The requirements of Fair Value Measurements and Disclosures of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement is the same in both cases – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price).

ENVIRONMENTAL FUND FOR TEXAS, INC.
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NOTES TO FINANCIAL STATEMENTS

June 30, 2019

2. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair Value Measurements and Disclosures also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 Inputs – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 Inputs – Unobservable inputs for the asset or liability.

The carrying values of the current assets and current liabilities approximate their fair value due to their short-term, highly liquid nature.

3. DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

The following program and supporting services are included in the accompanying financial statements:

Program Services: The Organization conducts annual campaigns to raise public support for distribution to participating agencies.

Supporting Services:

- Management and General - Provides management and administrative functions necessary to ensure a proper office, articulates organizational strategies and administrative policies of the President and Board of Directors, maintains competent legal services for program administration, and properly manages the financial and budgetary responsibilities of the Organization.
- Fundraising – Costs allocated to fundraising are direct costs related to specific campaigns operated by the Organization.

4. RETIREMENT PLAN

The Organization offers full time employees the opportunity for participation in a contributory retirement plan. The Organization matches employees' contributions up to 3% of salary. The expense to the Organization for the year ended June 30, 2019 was \$3,212.

ENVIRONMENTAL FUND FOR TEXAS, INC.
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NOTES TO FINANCIAL STATEMENTS

June 30, 2019

5. PUBLIC SUPPORT DESIGNATED TO EARTHSHARE OF TEXAS

Public support received during the annual campaign, not designated for a specific participant organization, is to be allocated and distributed to participant agencies based on a formula determined by the governing board and approved by the membership council.

Such undistributed funds are to be allocated equally to fully participating agencies. The allocations are to be tracked and reported to participant agencies and no interest is to accumulate on undistributed funds. Whenever the Board authorizes payments on distributions, the payments will be pro-rata to participant agencies. If a participant agency resigns and is in good standing, the agency may receive its distribution whenever a payment occurs. However, if a participant agency is terminated, its distribution reverts to the Organization. Public Support Designated to EarthShare of Texas of \$32,904 agrees to Distributions to Members of \$32,904 on the Statement of Functional Expenses.

6. IN-KIND RENT

Donations of materials or services that either create or enhance nonfinancial assets or that require specialized skills that would otherwise need to be purchased are recognized as revenues at their respective fair values. Donated office space of \$32,500 was recognized in the accompanying statement of activities for the year ended June 30, 2019.

7. EARTHSHARE NATIONAL

The Organization is an affiliate of EarthShare, a national nonprofit that connects the most influential environmental organizations with employers, people and communities to protect the planet. As a state affiliate, the Organization supports the national member organizations by providing access to the state employee charitable campaigns. Affiliate fees paid to EarthShare National were \$10,388 for the year ended June 30, 2019.

8. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following.

Cash and cash equivalents	\$ 622,338
Pledges receivable	161,036
Other receivables	181,019
Membership dues receivable	<u>95,193</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,059,586</u>

ENVIRONMENTAL FUND FOR TEXAS, INC.
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NOTES TO FINANCIAL STATEMENTS

June 30, 2019

8. LIQUIDITY AND AVAILABILITY (continued)

As part of the Organization's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage those obligations as well as unanticipated liquidity needs, the Organization maintains approximately \$700,000 in its operating and savings accounts. Although the Organization does not intend to spend from its savings accounts, amounts could be made available if needs exceed what is held in the operating accounts.

9. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statement are issued. Management has evaluated subsequent events through May 6, 2020, the date the audit report was available for issuance.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact future activities of the Organization. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The related financial impact of this and other business disruptions cannot be reasonably estimated at this time. In addition, on April 2020, the Organization was approved for a Paycheck Protection Program (PPP) promissory note in the amount of \$41,600, with an interest rate of 1% per annum based on a year of 365 days until maturity. The Organization may use the proceeds of the loan only for purposes authorized by the PPP and may apply for loan forgiveness in whole or in part.