

**LEGACY INSTITUTE FOR
FINANCIAL EMPOWERMENT**
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2023

**LEGACY INSTITUTE FOR FINANCIAL EMPOWERMENT
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Legacy Institute for Financial Empowerment
Lufkin, Texas

Opinion

We have audited the accompanying financial statements of Legacy Institute for Financial Empowerment (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legacy Institute for Financial Empowerment as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Legacy Institute for Financial Empowerment and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Legacy Institute for Financial Empowerment's ability to continue as a going concern with one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing

INDEPENDENT AUDITORS' REPORT -- CONTINUED

standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Legacy Institute for Financial Empowerment'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Legacy Institute for Financial Empowerment'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 time of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Todd, Hamaker & Johnson, LLP

Todd, Hamaker & Johnson, LLP
Lufkin, Texas

December 6, 2024

LEGACY INSTITUTE FOR FINANCIAL EMPOWERMENT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023
ASSETS

CURRENT ASSETS

Cash and cash equivalents		\$	160,336
Investments			32,319
Grants receivable			106,955
Prepaid expenses			1,800
Loans receivable - current portion	\$	37,476	
Less allowance		<u>(7,495)</u>	
Total loans receivable - current portion			<u>29,981</u>
Total current assets			<u>331,391</u>

PROPERTY AND EQUIPMENT

Property and equipment	448,648		
Less accumulated depreciation	<u>(78,521)</u>		
Total property and equipment			<u>370,127</u>

OTHER ASSETS

Loans receivable - long term portion	22,096		
Less allowance	<u>(4,419)</u>		
Total loans receivable - long-term portion			17,677
Loan fees	2,019		
Less accumulated amortization	<u>(1,414)</u>		
Total loan fees			<u>605</u>
Total other assets			<u>18,282</u>
Total assets		\$	<u>719,800</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$	11,981	
Note payable - short-term portion		<u>175,331</u>	
Total current liabilities			<u>187,312</u>

LONG-TERM LIABILITIES

Note payable - long-term portion		<u>541,334</u>	
Total long-term liabilities		<u>541,334</u>	
Total liabilities			<u>728,646</u>

NET ASSETS

Without donor restrictions		(167,643)	
With donor restrictions		<u>158,797</u>	
Total net assets		<u>(8,846)</u>	
Total liabilities and net assets	\$		<u>719,800</u>

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

LEGACY INSTITUTE FOR FINANCIAL EMPOWERMENT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
DECEMBER 31, 2023

	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 300,727	\$ 240,644	\$ 541,371
Program revenue	153,236	-	153,236
In kind donations	220,766	-	220,766
Interest and dividends	2,283	-	2,283
Realized gain (loss) on investments	397	-	397
Unrealized gain (loss) on investments	13,424	-	13,424
Other income	9,069	-	9,069
Net assets released from restrictions	<u>228,831</u>	<u>(228,831)</u>	<u>-</u>
Total support and revenue	<u>928,733</u>	<u>11,813</u>	<u>940,546</u>
EXPENSES			
Program services	814,630	-	814,630
General and administrative	155,444	-	155,444
Fundraising expenses	<u>48,272</u>	<u>-</u>	<u>48,272</u>
Total expenses	<u>1,018,346</u>	<u>-</u>	<u>1,018,346</u>
INCREASE (DECREASE) IN NET ASSETS	(89,613)	11,813	(77,800)
NET ASSETS, BEGINNING OF YEAR	<u>(78,030)</u>	<u>146,984</u>	<u>68,954</u>
NET ASSETS, END OF YEAR	<u><u>\$ (167,643)</u></u>	<u><u>\$ 158,797</u></u>	<u><u>\$ (8,846)</u></u>

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

LEGACY INSTITUTE FOR FINANCIAL EMPOWERMENT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
EXPENSES				
Wages	\$ 543,125	\$ 22,500	\$ 15,000	\$ 580,625
Payroll tax and benefits	61,025	2,734	-	63,759
Employee retention tax credits	(49,520)	(7,887)	(1,454)	(58,861)
Contract labor	31,761	-	-	31,761
Training and travel	11,834	4,422	-	16,256
Program expenses	6,674	-	-	6,674
LIFE skills training	60,649	-	-	60,649
Technology expenses	17,365	2,271	-	19,636
Legal and professional	9,978	72,408	28,500	110,886
Office expenses	8,239	9,971	-	18,210
Office equipment	2,650	-	-	2,650
Printing	2,294	-	-	2,294
Dues and subscriptions	11,088	431	-	11,519
Advertising	4,276	-	6,226	10,502
Repairs and maintenance	7,215	7,356	-	14,571
Telephone/internet	9,628	3,241	-	12,869
Utilities	14,818	2,165	-	16,983
Awards and grants	6,591	1,510	-	8,101
Charitable contributions	300	200	-	500
Insurance	4,360	6,950	-	11,310
Miscellaneous	13,576	5,749	-	19,325
Interest	6,571	13,662	-	20,233
Bad debt expense	4,188	7,761	-	11,949
Depreciation/amortization	25,945	-	-	25,945
Total expenses	<u>\$ 814,630</u>	<u>\$ 155,444</u>	<u>\$ 48,272</u>	<u>\$ 1,018,346</u>

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

LEGACY INSTITUTE FOR FINANCIAL EMPOWERMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in net assets	\$ (77,800)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation/amortization	25,945
Changes in assets and liabilities	
(Increase) decrease in grants receivable	34,994
(Increase) decrease in prepaid expenses	(1,800)
(Increase) decrease in loans receivable	(10,660)
Increase (decrease) in accounts payable/accrued expenses	<u>(9,293)</u>
Net cash provided by (used in) operating activities	<u>(38,614)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net change in investments	(7,374)
Payments for purchase of fixed assets	<u>(78,238)</u>
Net cash provided by (used in) investing activities	<u>(85,612)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from loans payable	129,156
Principal payments on notes payable	<u>(72,506)</u>
Net cash provided by (used in) financing activities	<u>56,650</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (67,576)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 227,912

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 160,336

SUPPLEMENTAL DISCLOSURES:

Cash paid during the year for:

Interest	<u>\$ 20,233</u>
Income taxes	<u><u>\$ -</u></u>

During the year, the Organization executed an installment note payable for \$9,156; proceeds were used for the purchase of a used passenger van. In addition, two installment notes (totaling \$120,000) were executed; the proceeds of these loans are used by the Organization to provide small dollar consumer loans.

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

LEGACY INSTITUTE FOR FINANCIAL EMPOWERMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities. Legacy Institute for Financial Empowerment (LIFE or the “Organization”) provides adults, youth, veterans, and college students with financial dignity programming and coaching to equip them with the financial knowledge and tools to create a secure future. The Organization offers specialized programs such as the Financial Opportunities Center (FOC), LIFE Tech, LIFE Build, LIFE Farms, Next Chapter, the Wazo Project, Generation A and LEF - Life Empowerment Fund.

On March 5, 2024, the Organization filed an amendment with the Texas Secretary of State changing its name to Life Institute for Financial Empowerment.

Basis of Accounting. The 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. The Organization’s significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation. The Organization reports information regarding its financial position and activities according to the following classifications:

Net assets without donor restrictions – Net assets that are not subject to or are no longer subject to donor-imposed restrictions.

Net assets with donor restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Contributions and Grants. Contributions and grants received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction is satisfied by using the resources in the manner specified by the donor or by the passage of time, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

The Organization records as public support the value of donated goods and services when there is an objective basis available to measure their value. Services are recorded when services have to have been purchased or they are specialized type skills. During the period, the Organization recorded \$220,766 as in-kind donations and salary expenses for specialized services provided by the Senior Community Service Employment Service Program – AARP.

Cash and Cash Equivalents. Cash and cash equivalents are demand deposits; money market accounts; and other short-term, highly liquid investments with original maturities of three months or less when acquired. Certificates of deposit with original maturities greater than three are classified separately as current assets on the statement of financial position.

Fair Value of Financial Instruments. The Organization evaluates the fair value of its financial instruments based on the current interest rate environment and current pricing of debt instruments with comparable terms. LIFE classifies its marketable equity securities as available for sale. These securities are carried in the financial statements at fair value based on quoted market prices in active markets (Level I in the Fair Value Hierarchy). The carrying value of debt or other financial instruments are considered to approximate fair value.

LEGACY INSTITUTE FOR FINANCIAL EMPOWERMENT
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Grants receivable. Grants receivables include reimbursements due from grants for expenditures which have already been incurred by the Organization. Management considers these receivables collectible at December 31, 2023, and accordingly, no allowance for doubtful accounts has been recorded.

Loans receivable. Loans receivables include the outstanding balances on small dollar consumer loans made by LIFE, in connection with its agreement with Credit Builders Alliance (CBA Fund). See *notes payable* disclosure on page 11. The consumer loans are used to meet the needs of specific populations, in a manner that is consistent with CBA Fund's charitable purposes and social justice mission. Monthly payments are required on the loans. Terms vary but are generally 6 to 24 months, with 10% interest charged. An allowance for credit losses on these loans of approximately 20% of the outstanding balances has been recorded at December 31, 2023 in accordance with management's estimate.

Property and Equipment. Property and equipment is stated at cost, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful life of the respective assets. Estimated useful lives for the existing assets are three to thirty-nine years.

Income Tax Status. The Organization qualifies as an exempt entity under Section 501(c)(3) of the Internal Revenue Code and therefore no provision for federal income tax is included in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Functional Allocation of Expenses. Costs are charged to program services, general and administrative, and fund-raising functions based on direct expenditures incurred. Expenses not directly chargeable to these functional categories are allocated based on estimates by management of time and resources applied to each function.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LIQUIDITY

At December 31, 2023, LIFE had \$299,610 available in cash and cash equivalents, investments and grants receivables to meet the Organization's needs for general and restricted fund expenditures. Of these financial assets, \$158,797 were held for donor and/or other contractual restrictions.

The Organization manages its liquidity by developing and adopting an annual operating budget that provides sufficient funds for general expenditures in meeting the liabilities and other obligations as they become due.

INVESTMENTS

The Organization's investments are composed of publicly traded stocks, stock options and cryptocurrency. Stocks and stock options were held by TD Ameritrade, a member of the Securities Investor Protection Corporation ("SIPC"). SIPC protects the securities of its members up to \$500,000. This coverage applies when a SIPC-member firm fails financially, but it does not protect against market fluctuations.

LEGACY INSTITUTE FOR FINANCIAL EMPOWERMENT
NOTES TO THE FINANCIAL STATEMENTS
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Cryptocurrency was purchased, sold and stored by Coinbase Global, Inc., the largest cryptocurrency exchange in the U.S. There is no coverage provided for this investment.

A summary of these investments at December 31, 2023 is as follows:

	Fair Cost	Unrealized Value	Unrealized Gains (Losses)
Equity securities	\$ 32,536	\$ 32,138	\$ (398)
Cryptocurrency	<u>181</u>	<u>181</u>	<u>-</u>
Total	<u>\$ 32,171</u>	<u>\$ 32,319</u>	<u>\$ (398)</u>

PROPERTY AND EQUIPMENT

A summary of changes in property and equipment for the year is as follows:

	Balance 12/31/22	Additions	Deletions	Balance 12/31/23
Land	\$ 26,190	\$ 11,565	\$ -	\$ 37,755
Buildings and improvements	295,507	22,974	-	318,481
Office equipment	17,605	1,000	-	18,605
Furniture and equipment	<u>31,108</u>	<u>42,699</u>	<u>-</u>	<u>73,807</u>
	370,410	78,238		448,648
Less accumulated depreciation	<u>(52,980)</u>	<u>(25,541)</u>	<u>-</u>	<u>(78,521)</u>
Net	<u>\$ 317,430</u>	<u>\$ 52,697</u>	<u>\$ -</u>	<u>\$ 370,127</u>

Depreciation expense of \$25,541 was charged to expense for the year.

NOTES PAYABLE

At December 31, 2023, notes payable consisted of the following:

Installment note dated December 14, 2018 and payable to Southside Bank in 59 monthly installments of \$1,088, including interest at 5.50%. The note matures in December 2023. The note was not paid in full at maturity, instead a new loan was renegotiated in April 2024. The note is collateralized by the land and building known as 207 N Raguet St, Lufkin, Texas. \$ 91,873

Promissory note (a.k.a. Economic Injury Disaster Loan or "EIDL") dated May 12, 2020 and amended on August 5, 2021 payable to U.S. Small Business Administration. Monthly installments of \$2,204, including interest at 2.75%, began in November 2022. Each payment is applied first to the interest accrued to the date of receipt of each payment, and the balance, if it is applied to principal. Any remaining principal and accrued interest is due in full thirty (30) years from the date of the note. The EIDL loan is collateralized by a security interest in all property owned by the Organization. 465,798

LEGACY INSTITUTE FOR FINANCIAL EMPOWERMENT
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Promissory note dated August 31, 2021 payable to Credit Builders Alliance in annual payments of \$26,006, including interest of 2.00%. The agreement matures in September 2024. 25,497

Promissory note dated January 31, 2023 payable to Credit Builders Alliance in annual payments of \$17,338, including interest of 2.00%. The agreement matures in February 2026. 49,500

Promissory note dated October 1, 2023 payable to Credit Builders Alliance in annual payments of \$24,273, including interest of 2.00%. The agreement matures in October 2026. 69,300

Installment note dated September 1, 2023 payable to Westlake Financial in monthly payments of \$256, including interest of 15.19%. The note matures in August 2027 and is collateralized by the E-350 passenger van it served to purchase. 8,128

Installment note dated September 3, 2020 and payable to Kubota Credit Corporation, U.S.A. in 60 monthly installments of \$313, including interest at 0.00%. The note matures in September 2025 and is collateralized by the Kubota tractor and front loader it served to purchase. 6,569

716,665

Less current maturities (175,331)

Total long-term \$ 541,334

Maturities on notes payable over the next five years and thereafter are as follows:

2024	\$ 175,331
2025	59,200
2026	57,439
2027	16,466
2028	15,408
Thereafter	392,821
Total	\$ 716,665

Interest expense was \$20,233 for the year on these notes.

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes at December 31, 2023:

Meadows Foundation – Workforce training	\$ 23,059
Local Initiatives Support Corporation – Various 2022/2023 programs	132,604
Federal Home Loan Bank – Housing related assistance	1,343
Credit Builder’s Alliance - Small dollar consumer loan activities	1,791
Total net assets with donor restrictions	\$ 158,797

LEGACY INSTITUTE FOR FINANCIAL EMPOWERMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Net assets were released from donor restrictions by incurring the following expenses or satisfying the restricted purposes specified by donors during the period:

TLL Temple Foundation – North Lufkin small grants program	\$ 5,372
EL Kurth Jr. Foundation – Bridging the Digital Divide/Next Chapter	75,000
Meadows Foundation – Workforce training	26,508
Local Initiatives Support Corp – Various 2022/2023 programs	111,313
Credit Builder’s Alliance – Small dollar consumer loan activities	8,209
Federal Home Loan Bank – Housing related assistance	157
Cities for Financial Empowerment – Bank on Coalition	<u>2,272</u>
Total net assets released from donor restrictions	<u>\$ 228,831</u>

EMPLOYEE RETENTION TAX CREDITS

During the current year, LIFE received \$58,861 in employee retention tax credits relating to the third and fourth quarters of 2021.

CONTINGENCIES AND CONCENTRATIONS

Concentrations of Credit Risk. The Organization maintains its operating cash deposits in financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (“FDIC”). At December 31, 2023, all of the Organization’s cash account balances were fully insured.

Invested cash and cash equivalents (held in the Organization’s TD Ameritrade account) totaling \$11,176 at December 31, 2023 were uninsured.

Concentrations – Contributions and Grants. LIFE is very active in soliciting contributions and grants to assist with operating and capital needs to fulfil their mission. In the current year, contributions and grants totaled \$541,371 (58% of total support and revenue).

LIFE received a grant from TLL Temple Foundation for \$400,000 to be used by the Organization only for charitable and education activities consistent with its tax-exempt status. LIFE received \$150,000 in 2023. Subject to demonstrable progress toward performance targets, measurable impacts, and critical milestones established in the grant, the Organization will receive an additional \$150,000 in both 2024 and 2025. As of the date of this report, LIFE received the additional \$150,000 for 2024.

Contingent Liabilities. All amounts received or receivable from grant agencies are subject to audit and adjustment by the granting agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditure that may be disallowed, if any, by the grantor cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

RISK MANAGEMENT

LIFE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Organization.

**LEGACY INSTITUTE FOR FINANCIAL EMPOWERMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 6, 2024, the date when the financial statements were available to be issued.