

**LEGACY INSTITUTE FOR  
FINANCIAL EDUCATION**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

**LEGACY INSTITUTE FOR FINANCIAL EDUCATION**  
**TABLE OF CONTENTS**

	PAGE NO.
Independent Auditors' Report.....	2-3
Financial Statements	
Statement of Financial Position.....	4
Statement of Activities .....	5
Statement of Functional Expenses.....	6
Statement of Cash Flows.....	7
Notes to the Financial Statements .....	8-12



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## INDEPENDENT AUDITORS' REPORT

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

### *Opinion*

We have audited the accompanying financial statements of Legacy Institute for Financial Education (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 Education as of December 31, 2022, 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 Education 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 Education'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 Education'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 Education'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

November 17, 2023

**LEGACY INSTITUTE FOR FINANCIAL EDUCATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 227,912
Investments	24,688
Grants receivable	141,949
Loans receivable, net of allowance of \$8,945	<u>36,998</u>
	<u>431,547</u>

**PROPERTY AND EQUIPMENT**

Property and equipment	370,410
Less accumulated depreciation	<u>(52,980)</u>
	<u>317,430</u>

**OTHER ASSETS**

Loan fees	2,019
Less accumulated amortization	<u>(1,312)</u>
	<u>707</u>
Total other assets	<u>707</u>

Total assets \$ 749,684

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 1,152
Accrued interest	19,564
Note payable - short-term portion	<u>141,262</u>
	<u>161,978</u>

**LONG-TERM LIABILITIES**

Note payable - long-term portion	<u>518,752</u>
Total long-term liabilities	<u>518,752</u>
	<u>680,730</u>

**NET ASSETS**

Without donor restrictions	(78,030)
With donor restrictions	<u>146,984</u>
	<u>68,954</u>
Total net assets	<u>68,954</u>

Total liabilities and net assets \$ 749,684

**LEGACY INSTITUTE FOR FINANCIAL EDUCATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2022**

	Without donor restrictions	With donor restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions and grants	\$ 203,270	\$ 411,130	\$ 614,400
Program revenue	101,708	-	101,708
In kind donations	116,690	-	116,690
Interest and dividends	336	-	336
Realized gain (loss) on investments	2,696	-	2,696
Unrealized gain (loss) on investments	(47,513)	-	(47,513)
Other income	1,684	-	1,684
Net assets released from restrictions	369,530	(369,530)	-
<b>Total support and revenue</b>	<b>748,401</b>	<b>41,600</b>	<b>790,001</b>
<b>EXPENSES</b>			
Program services	751,098	-	751,098
General and administrative	64,336	-	64,336
Fundraising expenses	17,509	-	17,509
<b>Total expenses</b>	<b>832,943</b>	<b>-</b>	<b>832,943</b>
INCREASE (DECREASE) IN NET ASSETS	(84,542)	41,600	(42,942)
NET ASSETS, BEGINNING OF YEAR	6,512	105,384	111,896
<b>NET ASSETS, END OF YEAR</b>	<b>\$ (78,030)</b>	<b>\$ 146,984</b>	<b>\$ 68,954</b>

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

**LEGACY INSTITUTE FOR FINANCIAL EDUCATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
<b>EXPENSES</b>				
Wages	\$ 335,709	\$ -	\$ 16,200	\$ 351,909
Payroll tax and benefits	33,471	-	1,309	34,780
Contract labor	91,776	-	-	91,776
Training and travel	17,718	-	-	17,718
Program expenses	72,679	-	-	72,679
LIFE skills training	61,682	-	-	61,682
Technology expenses	17,469	-	-	17,469
Legal and professional	-	10,023	-	10,023
Office expenses	19,166	799	-	19,965
Office equipment	710	-	-	710
Printing	2,244	-	-	2,244
Dues and subscriptions	4,677	-	-	4,677
Advertising	7,368	8,383	-	15,751
Repairs and maintenance	3,574	12,908	-	16,482
Telephone/internet	7,904	2,365	-	10,269
Utilities	15,482	-	-	15,482
Awards and grants	6,239	-	-	6,239
Charitable contributions	-	600	-	600
Insurance	-	9,457	-	9,457
Miscellaneous	8,143	2,662	-	10,805
Interest	14,565	9,012	-	23,577
Bad debt expense	17,211	-	-	17,211
Depreciation/amortization	<u>13,311</u>	<u>8,127</u>	<u>-</u>	<u>21,438</u>
Total expenses	<u>\$ 751,098</u>	<u>\$ 64,336</u>	<u>\$ 17,509</u>	<u>\$ 832,943</u>

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

**LEGACY INSTITUTE FOR FINANCIAL EDUCATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase (decrease) in net assets	\$ (42,942)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation/amortization	21,438
Changes in assets and liabilities	
(A) decrease in grant receivables	(30,306)
(A) decrease in miscellaneous receivables	4,218
(A) decrease in inventory	12,237
Increase (decrease) in accounts payable/accrued expenses	(10,101)
Increase (decrease) in accrued interest payable	8,413
Increase (decrease) in advances payable	<u>(21,016)</u>
Net cash provided by (used in) operating activities	<u>(58,059)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Net change in investments	(6,665)
Payments for purchase of fixed assets	<u>(3,247)</u>
Net cash provided by (used in) investing activities	<u>(9,912)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal payments on notes payable	<u>(37,772)</u>
Net cash provided by (used in) financing activities	<u>(37,772)</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(105,743)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>333,655</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 227,912</u>

**SUPPLEMENTAL DISCLOSURES:**

Cash paid during the year for:	
Interest	\$ 15,164
Income taxes	<u>\$ -</u>

**LEGACY INSTITUTE FOR FINANCIAL EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Activities.* Legacy Institute for Financial Education (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, Next Chapter, LIFE Build, LIFE Farms, LIFE Tech, LIFE Empowerment Fund and the Wazo Project.

*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 would have to have been purchased or they are specialized type skills. During the period, the Organization recorded \$116,690 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.

*Grants receivable.* Grants receivable include reimbursements due from grants for expenditures which have already been incurred by the Organization. Management considers these receivables collectible at December 31, 2022, and accordingly, no allowance for doubtful accounts has been recorded.

**LEGACY INSTITUTE FOR FINANCIAL EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

*Loans receivable.* Loans receivable 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 doubtful accounts on these loans of approximately 20% of the outstanding balances has been recorded at December 31, 2022 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, 2022, LIFE had \$394,549 available in cash and cash equivalents, investments and grants receivables to meet the Organization's needs for general expenditures. Of these financial assets, \$146,984 were subject to 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"). The 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. 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.

**LEGACY INSTITUTE FOR FINANCIAL EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

A summary of these investments at December 31, 2022 is as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
Equity securities	\$ 37,282	\$ 24,417	\$ (12,865)
Stock options	1,046	90	(956)
Cryptocurrency	<u>26,100</u>	<u>181</u>	<u>(25,919)</u>
<b>Total</b>	<b><u>\$ 64,428</u></b>	<b><u>\$ 24,688</u></b>	<b><u>\$ (39,740)</u></b>

**PROPERTY AND EQUIPMENT**

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

	<u>Balance 12/31/21</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/22</u>
Land	\$ 26,190	\$ -	\$ -	\$ 26,190
Buildings and improvements	295,507	-	-	295,507
Office equipment	17,605	-	-	17,605
Furniture and equipment	<u>28,561</u>	<u>3,247</u>	<u>(700)</u>	<u>31,108</u>
	367,863	3,247	(700)	370,410
Less accumulated depreciation	<u>(32,086)</u>	<u>(21,034)</u>	<u>140</u>	<u>(52,980)</u>
<b>Net</b>	<b><u>\$ 335,777</u></b>	<b><u>\$ (17,787)</u></b>	<b><u>\$ (560)</u></b>	<b><u>\$ 317,430</u></b>

Depreciation expense of \$21,034 was charged to expense for the year.

**NOTES PAYABLE**

At December 31, 2022, 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, when a final payment of approximately \$96,866 is due. The note is collateralized by the land and building known as 207 N Raguet St, Lufkin, Texas.	\$ 99,512
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 any, 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.	500,000

**LEGACY INSTITUTE FOR FINANCIAL EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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.	50,493
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.	10,009
	660,014
Less current maturities	(141,262)
Total long-term	\$ 518,752

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

2023	\$ 141,262
2024	42,250
2025	15,902
2026	13,800
2027	14,000
Thereafter	432,800
Total	\$ 660,014

Interest expense was \$23,577 for the year on these notes. Unpaid accrued interest on the EIDL note at December 31, 2022 was \$19,564.

#### **ADVANCES PAYABLE**

The December 31, 2021 balance (\$21,016) in advances payable due to the Executive Director for start-up advances made to the Organization in prior years was paid in full at the end of 2022. No additional advances were made during the year.

#### **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were available for the following purposes at December 31, 2022:

TLL Temple Foundation – North Lufkin small grants program	\$ 5,372
Meadows Foundation – workforce training	49,567
Local Initiatives Support Corporation – various 2022/2023 programs	88,273
Federal Home Loan Bank – housing related assistance	1,500
Cities for Financial Empowerment – Bank On Coalition	2,272
Total net assets with donor restrictions	\$ 146,984

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

EL Kurth Jr. Foundation – Bridging the Digital Divide/Next Chapter	\$ 52,014
Meadows Foundation – workforce training	433

**LEGACY INSTITUTE FOR FINANCIAL EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

TLL Temple Foundation – North Lufkin small grants program	5,000
Local Initiatives Support Corp – various 2022 programs	300,225
Credit Builder's Alliance – small dollar consumer loan activities	10,061
Federal Home Loan Bank – housing related assistance	69
Cities for Financial Empowerment – Bank On Coalition	<u>1,728</u>
 Total net assets released from donor restrictions	 <u>\$ 369,530</u>

**RELATED PARTIES**

Advances payable, as noted above, were repaid to the Executive Director during the year. The Executive Director and the Program Director are married.

**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, 2022, 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 \$92,390 at December 31, 2022 were uninsured.

*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 expenditures 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.

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 17, 2023, the date when the financial statements were available to be issued.