

TOMAGWA Ministries, Inc.

Financial Statements for the year ended December 31, 2020
(with comparative totals for 2019)



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
TOMAGWA Ministries, Inc.
Tomball, Texas

Opinion

We have audited the accompanying financial statements of TOMAGWA Ministries, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, 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 TOMAGWA Ministries, 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.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TOMAGWA Ministries, Inc. and to meet our other 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 opinion.

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 TOMAGWA Ministries, Inc.'s ability to continue as a going concern within 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 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, including omissions, 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.

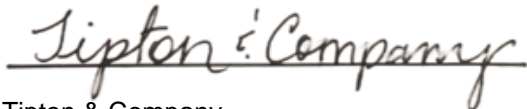
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 TOMAGWA Ministries, Inc.'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 TOMAGWA Ministries, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the TOMAGWA Ministries, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Tipton & Company
Certified Public Accountants
Houston, Texas

August 16, 2021

TOMAGWA Ministries, Inc.

Statement of Financial Position

<i>As of December 31, (with comparative totals for 2019)</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 84,088	\$ 157,189
Grants receivable	90,000	155,889
Promises to give, net of allowance	99,220	76,450
Inventory	200,948	420,762
Property and equipment, net	2,038,139	2,144,915
Cash value of life insurance policy	-	282,003
Deposits	6,615	6,615
Other assets	20,640	15,370
Total Assets	\$ 2,539,650	\$ 3,259,193
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 93,181	\$ 39,595
Accrued expenses	96,590	79,039
Other liabilities	1,200	1,200
Long-term debt	756,850	1,044,283
Total Liabilities	947,821	1,164,117
Net Assets		
Without donor restriction	1,486,829	1,746,298
With donor restriction	105,000	348,778
Total Net Assets	1,591,829	2,095,076
Total Liabilities and Net Assets	\$ 2,539,650	\$ 3,259,193

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

TOMAGWA Ministries, Inc.

Statement of Activities

Year ended December 31, <i>(with comparative totals for 2019)</i>	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Operating Revenue and Support				
Grants	\$ 948,760	\$ 94,000	\$ 1,042,760	\$ 1,279,325
Contributions	645,488	50,000	695,488	472,257
Patient contributions	243,470	-	243,470	381,492
Special events, net of direct benefit to donor	-	-	-	83,518
Fundraising	59,609	-	59,609	-
Gifts in kind	1,096,217	-	1,096,217	1,723,298
Other income	16,387	1,615	18,002	25,727
Net assets released from restriction	389,393	(389,393)	-	-
Total Operating Revenue and Support	3,399,324	(243,778)	3,155,546	3,965,617
Operating Expenses				
Program Activities				
Medical	632,021	-	632,021	1,196,200
Dental	1,019,698	-	1,019,698	645,413
Medical pharmacy	819,787	-	819,787	1,486,856
Medical patient access	126,861	-	126,861	155,464
Total Program Activities	2,598,367	-	2,598,367	3,483,933
Supporting Activities				
Management and general expenses	553,754	-	553,754	504,525
Fundraising	223,054	-	223,054	201,106
Total Supporting Activities	776,808	-	776,808	705,631
Total Operating Expenses	3,375,175	-	3,375,175	4,189,564
Change in Net Assets before Non-Operating Activities	24,149	(243,778)	(219,629)	(223,947)
Non-Operating Activities				
Write-off of life insurance policy	(283,618)	-	(283,618)	-
Total Non-Operating Activities	(283,618)	-	(283,618)	-
Change in Net Assets after Non-Operating Activities				
Net Assets, Beginning of Year	1,746,298	348,778	2,095,076	2,319,023
Net Assets, End of Year	\$ 1,486,829	\$ 105,000	\$ 1,591,829	\$ 2,095,076

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

TOMAGWA Ministries, Inc.

Statement of Functional Expenses

Year ended December 31, <i>(with comparative totals for 2019)</i>	Program Activities					Supporting Activities			2020 Total	2019 Total
	Medical	Dental	Medical Pharmacy	Medical Patient Access	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Operating Expenses										
Salaries and Related Expense										
Salaries	\$ 341,300	\$ 376,443	\$ 69,216	\$ 95,020	\$ 881,979	\$ 287,977	\$ 132,854	\$ 420,831	\$ 1,302,810	\$ 1,397,540
Payroll taxes	24,152	28,385	5,221	7,039	64,797	38,012	9,779	47,791	112,588	114,101
Employee benefits	13,532	10,825	3,608	3,608	31,573	9,472	4,059	13,531	45,104	26,628
Total Salaries and Related Expense	378,984	415,653	78,045	105,667	978,349	335,461	146,692	482,153	1,460,502	1,538,269
Other Expenses										
Bad debt expense	-	-	-	-	-	-	-	-	-	58,025
Bank charges	319	282	9	-	610	6,475	17	6,492	7,102	6,906
Contract labor	7,477	63,765	200	-	71,442	24,680	14,650	39,330	110,772	108,954
Depreciation	32,033	25,626	8,542	8,542	74,743	22,423	9,610	32,033	106,776	116,389
Donated volunteer services	102,771	437,629	-	-	540,400	49,919	-	49,919	590,319	479,825
Dues and subscriptions	52	-	12,447	-	12,499	3,670	5,502	9,172	21,671	11,647
Equipment rental and maintenance	-	2,471	738	-	3,209	7,893	29,271	37,164	40,373	8,807
Fundraising	-	-	-	-	-	-	3,271	3,271	3,271	28,097
Insurance	7,017	5,614	1,871	1,871	16,373	18,252	2,105	20,357	36,730	28,662
Interest expense	14,966	11,973	3,991	3,991	34,921	10,476	4,490	14,966	49,887	66,824
Legal and accounting	-	-	-	-	-	12,737	-	12,737	12,737	13,950
Licenses permits and user fees	420	611	-	-	1,031	20	-	20	1,051	476
Miscellaneous	5	2,912	-	-	2,917	10,044	796	10,840	13,757	3,821
Payroll service	2,014	1,611	537	537	4,699	1,410	604	2,014	6,713	22,100
Postage, freight and delivery	127	-	-	-	127	489	220	709	836	1,110
Printing and reproduction	1,285	1,029	343	343	3,000	900	386	1,286	4,286	5,111
Rent	53,213	-	-	-	53,213	972	-	972	54,185	44,250
Repairs and maintenance	-	-	-	-	-	26,691	-	26,691	26,691	70,074
Seminars	-	-	-	-	-	-	60	60	60	-
Supplies - building	11	55	-	-	66	1,717	-	1,717	1,783	1,244
Supplies - clinical	5,503	32,428	-	2,151	40,082	133	-	133	40,215	198,491
Supplies - drugs & medications	11,533	6,656	709,029	-	727,218	1,842	-	1,842	729,060	1,322,538
Supplies - office	196	107	276	-	579	4,110	752	4,862	5,441	25,121
Taxes - property	-	-	-	-	-	3,230	-	3,230	3,230	3,279
Telephone	4,185	3,348	1,116	1,116	9,765	2,929	1,255	4,184	13,949	14,605
Travel, lodging and meals	-	-	-	-	-	344	400	744	744	4,777
Utilities	9,910	7,928	2,643	2,643	23,124	6,937	2,973	9,910	33,034	17,184
Total Other Operating Expenses	253,037	604,045	741,742	21,194	1,620,018	218,293	76,362	294,655	1,914,673	2,662,267
Total Gross Operating Expenses	632,021	1,019,698	819,787	126,861	2,598,367	553,754	223,054	776,808	3,375,175	4,200,536
Less: Direct Benefit to Donor	-	-	-	-	-	-	-	-	-	(10,972)
Total Operating Expenses, net	\$ 632,021	\$ 1,019,698	\$ 819,787	\$ 126,861	\$ 2,598,367	\$ 553,754	\$ 223,054	\$ 776,808	\$ 3,375,175	\$ 4,189,564

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

TOMAGWA Ministries, Inc.

Statement of Cash Flows

<i>Year Ended December 31, (with comparative totals for 2019)</i>	2020	2019
Cash Flows From Operating Activities		
Change in net assets	\$ (503,247)	\$ (223,947)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Bad debt expense	-	58,025
Depreciation	106,776	116,389
Interest expense on life insurance policy loan	16,293	18,123
In-kind inventory	219,814	249,160
Write-off of life insurance policy	283,618	-
Changes in assets and liabilities:		
Grants receivable	65,889	148,691
Promises to give, net of allowance	(22,770)	(94,433)
Cash value of life insurance policy	(1,615)	(8,465)
Other assets	(5,270)	(1,200)
Accounts payable	53,586	(35,308)
Accrued expenses	17,551	7,566
Other liabilities	-	1,200
Total Adjustments	733,872	459,748
Net Change in Operating Activities	230,625	235,801
Cash Flows From Investing Activities		
Purchases of property and equipment	-	(39,326)
Net Change in Investing Activities	-	(39,326)
Cash Flows From Financing Activities		
Payments on long-term debt	(303,726)	(70,328)
Net Change in Investing Activities	(303,726)	(70,328)
Net Change in Cash and Cash Equivalents	(73,101)	126,147
Cash and Cash Equivalents, beginning of year	157,189	31,042
Cash and Cash Equivalents, end of year	\$ 84,088	\$ 157,189
Supplemental Information:		
Interest expense	\$ 49,887	\$ 66,824

TOMAGWA Ministries, Inc.

Notes to the Financial Statements

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Business – TOMAGWA Ministries, Inc. dba TOMAGWA Healthcare Ministries (“The Organization”) is a Christian-based, non-profit 501(c)(3), nominal-fee medical clinic that provides health care services to low-income, uninsured residents of Southwest Montgomery, Southeast Waller, and Northwest Harris Counties who do not qualify for Medicaid or Medicare. It was started in 1989 by a group of citizens from Tomball, Magnolia, and Waller, and has expanded over the years from a part-time health care facility run by a small group of volunteers to a full-time comprehensive family practice and acute-care center utilizing a small staff along with a large number of volunteers. In April 2017, a second medical clinic was opened by the Organization in Magnolia, TX.

The Organization opened a Dental Clinic in January 2013. The clinic offers services that include routine check-ups, fillings, extractions, and general cleaning, and can accommodate 2,600 visits each year. The dental clinic is primarily funded by donations from the Tomball Regional Health Foundation, which reimburses costs related to salaries and clinical supplies for the lesser of the clinic’s actual expenses and TRHF’s budget for those expenses.

The Organization provides services to all who qualify. Their mission is to treat the whole person regardless of race, gender, ethnicity, or religious affiliation. The Organization is a teaching facility, partnering with academic institutions throughout Texas. In addition, the Organization provides specialized services through cooperation with entities in the greater Houston Metropolitan area. These entities include medical and dental service providers, research institutes, acute and post-acute medical facilities, and various non-profit organizations. The Organization does not accept health insurance or receive government funding.

The Organization is supported through contributions and grants received from individuals, corporations and foundations, fundraising events, and patient contributions.

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

- **Medical Program** – The Organization offers early intervention for potentially fatal conditions and care for chronic illness and other non-emergency care through a range of services through its primary care, diagnostic, lab, pharmacy, vision and case management services. In addition, the Organization offers specific medical outreach services to the entire community. These activities include immunization clinics and health and chronic illness education.
- **Dental Program** – The Organization’s Dental program provides comprehensive dental services. The Organization’s dental staff also provides mobile dental clinics at Tomball, Magnolia, and Waller elementary schools that have a high percentage of economically disadvantaged students enrolled.

Basis of Presentation – The accompanying financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, support and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net assets without donor restrictions** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.
- **With Donor Restrictions** – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or

TOMAGWA Ministries, Inc.

Notes to the Financial Statements

by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents – The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from the date of purchase to be cash and cash equivalents. The carrying values of any cash and cash equivalents are deemed to approximate their fair values because of the short maturities of those financial instruments.

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 certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. The significant estimates included in the financial statements are the estimates of useful lives used for depreciating property and equipment items.

Allowance for Uncollectible Accounts – The Organization uses the allowance method to determine uncollectible grant and promise to give receivables. The allowance is based on management's analysis of specific promises made. Management has provided an allowance for uncollectible promises to give of \$7,000 at both December 31, 2020 and 2019. In reviewing aged receivables, management considers their knowledge of the donors, historical activity, and current economic conditions in establishing the allowance for doubtful accounts. An account receivable is charged to the valuation allowance when management determines the receivable is uncollectible.

Inventories – Inventories are valued on an average-cost basis, not in excess of market, and consist of prescription drugs and medical supplies valued at \$200,948 and \$420,762 as of December 31, 2020 and 2019, respectively.

Donated Assets – Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Property and Equipment – The Organization capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Maintenance and repairs are charged to operations when incurred. Major improvements and renewals that extend the life of the asset are capitalized.

Property and equipment items are depreciated using the straight-line method based on their estimated useful lives as follows:

	<u>Years of Estimated Useful Life</u>
Buildings and improvements	39 years
Furniture and fixtures	7-10 years
Machinery and equipment	5-7 years
Dental machinery and equipment	7-10 years
Computer Software	3 years

Functional Allocation of Expenses – Expenses are categorized in the Statement of Activities as program services and supporting services. Supporting services consist of management and general expenses and fundraising expenses. The Organization's expenses are allocated on a functional basis among these benefited categories:

TOMAGWA Ministries, Inc.

Notes to the Financial Statements

- Program service expenses – include direct and indirect (allocated) expenses for the various programs offered by the Organization. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses, that are common to several functions, are allocated to program services based on time and effort.
- Management and general expenses – include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. These expenses are allocated based on time and effort.
- Fundraising expenses – represent direct costs incurred in connection with fundraising efforts and allocated common expenses based on time and effort.

Advertising Cost – Advertising costs are expensed when incurred.

Income Taxes – The Organization is operating as a not-for-profit corporation, under Section 501(c)(3) of the Internal Revenue Code and is not subject to income taxes with the exception of unrelated business income. The Organization had no unrelated business income for the years ended December 31, 2020 and 2019.

The Organization applies the provisions of FASB ASC Topic 740, Income Taxes, (formerly FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109), which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. As of December 31, 2020 and 2019, no uncertain tax positions were identified.

Contributed Services – The Organization recognizes contributed services at their fair value if the services provide value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors, as established by FASB ASC 958-605-25.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with program services and fundraising events. No amounts have been reflected in the financial statements for these donated services since the volunteers' time does not meet the criteria for recognition under ASC 958-605, *Revenue Recognition*.

Compensated Absences – Vacation time earned but not used by December 31st of the current year may be carried over to the following year by eligible employees, not to exceed 80 hours per employee. Accordingly, the Organization accrues unused vacation compensation that employees have earned but not taken.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year as of December 31, 2020 comprise the following:

Financial assets:	
Cash and cash equivalents	\$84,088
Grants receivable	90,000
Promises to give, net of allowance	99,220
Financial assets available to meet cash needs for general expenditure within one year	\$273,308

TOMAGWA Ministries, Inc.

Notes to the Financial Statements

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The Organization is substantially supported by contributions and grants, and regularly monitors liquidity required to meet its operating needs. 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 become due.

In April 2020, the Organization received financial relief of \$285,300 under the Small Business Administration's Paycheck Protection Program (PPP). The PPP refundable advance is to be forgiven as the Organization meets the eligibility requirements and uses the loan to fund qualified payroll and other eligible costs. The advance has been recognized as contribution revenue in fiscal year 2020 as the Organization fulfilled the requirements for loan forgiveness as of the end of December 31, 2020.

Additionally, in January 2021, the Organization received a second PPP refundable advance in the amount of \$265,465. As of the report date, forgiveness had not been approved; however, the Organization expects the advance to be forgiven in full during the fiscal year ended December 31, 2021.

NOTE 3 – CONCENTRATION OF CREDIT RISKS

Financial instruments that potentially subject the Organization to credit risk consist of cash and cash equivalents. All of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount (\$250,000), for each deposit insurance ownership category. The Organization maintains its cash balances in various local banks. These balances are insured by the FDIC up to \$250,000. At December 31, 2020 and 2019, the Organization did not have any deposits that were not covered by FDIC insurance.

NOTE 4 – GRANTS RECEIVABLE

Grants receivable are summarized as follows:

	2020	2019
Tomball Regional Health Foundation	\$ -	\$80,889
Houston Methodist Hospital	55,000	55,000
Montgomery County Community Development	25,000	-
CVS Health Foundation	-	20,000
Tomball Area Hospital Association	10,000	-
Total grants receivable	\$90,000	\$155,889

All grants receivable are due within one year and are fully collectible; therefore, no discount or allowance have been recorded.

TOMAGWA Ministries, Inc.

Notes to the Financial Statements

NOTE 5 – PROMISES TO GIVE

Promises to give at year end are unconditional and are from the Organization's Multiple Year Giving Campaign for patient care. The pledges at December 31, 2020 and 2019 are scheduled to be collected as follows:

	2020	2019
Less than one year	\$21,244	\$16,690
One to five years	84,976	66,760
Promises to give, gross	106,220	83,450
Less: Allowance for uncollectible promises to give	(7,000)	(7,000)
Total promises to give, net of allowance	\$99,220	\$76,450

The present value of cash flows from promises to give receivable does not vary significantly from the stated value; therefore, no discount has been recorded.

NOTE 6 – PROPERTY AND EQUIPMENT

As of December 31, 2020 and 2019, property and equipment consisted of the following:

	2020	2019
Land	\$55,000	\$55,000
Buildings and improvements	2,557,886	2,557,886
Furniture and fixtures	151,918	151,918
Machinery and equipment	344,075	344,075
Dental machinery and equipment	153,227	153,227
Technology equipment	48,684	48,684
Leasehold improvements - Magnolia	142,316	142,316
Subtotal property and equipment	3,453,106	3,453,106
Less: accumulated depreciation	(1,414,967)	(1,308,191)
Total property and equipment, net	\$2,038,139	\$2,144,915

Depreciation expense charged to operations for the years ended December 31, 2020 and 2019 was \$106,776 and \$116,389, respectively.

NOTE 7 – CASH VALUE OF LIFE INSURANCE

At the end of 2009, an individual donated a paid-up life insurance policy to the organization. The life insurance policy had a cash value on date of donation of \$226,530. No principal payment on the policy loan is required. Earnings from the cash value net of fees and deductions were reported as contribution income in the financial statements. During 2020, the donor relieved the Organization of the loan borrowed against the cash value of the life insurance policy by making a contribution of \$280,000. The donor was reinstated as the beneficiary of the life insurance policy, and, as such, the Organization wrote off the cash value asset. The cash value of the life insurance policy totaled \$0 and \$282,003 at December 31, 2020 and 2019, respectively.

TOMAGWA Ministries, Inc.

Notes to the Financial Statements

NOTE 8 – NET ASSETS – WITH DONOR RESTRICTIONS

Donor restricted net assets are restricted for the following purposes or based on the passage of time as of December 31, 2020 and 2019:

	2020	2019
Subject to expenditure for specified purpose:		
Magnolia clinic	\$ -	\$11,775
Subject to passage of time:		
Amcap Home Loans	50,000	-
Tomball clinic operations – Methodist Foundation	55,000	55,000
Cash value of life insurance policy	-	282,003
Total Net Assets with Donor Restrictions	\$105,000	\$348,778

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The following amounts were released from restrictions for the fiscal years ended December 31, 2020 and 2019:

	2020	2019
Satisfaction of purpose restrictions:		
Tomball clinic operations	\$ -	\$846,288
Magnolia clinic	21,775	159,522
Other lab buildout	-	6,435
Pharmacy	-	7,500
Telehealth	9,000	-
COVID care	20,000	-
Satisfaction of time restrictions:		
Tomball clinic operations – Methodist Foundation	55,000	-
Cash value of life insurance policy	283,618	-
Total Net Assets Released from Restrictions	\$389,393	\$1,019,745

NOTE 9 – CONCENTRATIONS

The Organization is dependent on several sources of support and revenue. For the year ended December 31, 2020, approximately thirteen percent (13%) of the Organization's support is from one grantor and approximately seventy-six percent (76%) of the Organization's grants receivable are from four grantors/contributors. For the year ended December 31, 2019, approximately twenty-four percent (24%) of the Organization's support is from one grantor and approximately fifty-six percent (56%) of the Organization's grants receivable are from two grantors/contributors.

A significant reduction in any of these individual grants, if this were to occur, could have a significant impact on one or more programs of the Organization. As various grants fund different programs and activities, the Organization could still continue their operations and other programs despite a reduction in funding of one or more programs. The Organization also conducts its operations solely in the Tomball/Magnolia/Waller area, and, therefore, is subject to risks from changes in local economic conditions. A downturn in the local economy could cause a decrease in contributions concurrently with an increase in community need for the Organization's services.

TOMAGWA Ministries, Inc.

Notes to the Financial Statements

NOTE 10 – LEASE OBLIGATIONS

On October 1, 2016, the Organization entered into a sixty-three (63) month non-cancelable lease agreement for space to operate a new clinic in Magnolia, TX, expiring December 31, 2021. The terms of the lease require payments of \$3,990 per month beginning January 1, 2017, with specified rate increases each year after. These periodic base increases are reflected in the future minimum payment below. During 2019, a second amendment was made to the lease extending the terms of the lease through June 30, 2022.

In addition, the Organization leased office equipment under a non-cancelable operating lease at \$175 per month beginning March 2017 through March 2020. At the end of the lease, ownership of the leased equipment reverted to the Organization. Lease expense for the years ended December 31, 2020 and 2019 was \$54,185 and \$44,250, respectively.

Future minimum payments over the remainder of the agreements as of December 31, 2020 are as follows:

Year ending December 31,	
2021	\$57,435
2022	31,395
Thereafter	-
Total	\$88,830

NOTE 11 – CONTINGENCIES

The Organization's programs are supported through federal, state, and local grant programs that are governed by various rules and regulations. Expenses charged to the grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of management, there are no contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been made in the accompanying financial statements for such contingencies.

TOMAGWA Ministries, Inc.

Notes to the Financial Statements

NOTE 12 – LONG TERM DEBT

The Organization's long-term debt consists of the following:

	2020	2019
Note payable to a bank, secured by real property, improvements, furniture, fixtures and equipment. In June 2013, the Organization renegotiated the terms of the note to a fixed rate of 3.95% effective June 17, 2013, payable in 59 consecutive monthly installments of \$7,808 per month, including interest, final payment of remaining principal and interest due June 2018. In June 2018, the bank extended the loan under the same terms for three months. In September 2018, the bank extended the note under new terms with a fixed rate of 5.5% effective September 15, 2018, payable in monthly installments of \$6,015, final payment of remaining principal and interest due August 2024. In August 2020, the bank extended the loan under the same terms, extending the maturity to December 2028. It is guaranteed by a lien on the clinic property at 455 School Street Bldg 3, Tomball, Texas 77375.	\$485,898	\$500,799
Note payable to a bank, secured by real property, improvements, furniture, fixtures and equipment. In June 2013, the Organization renegotiated the terms of the note to a fixed rate of 3.95% effective June 17, 2013, payable in 59 consecutive monthly installments of \$4,372 per month, including interest, final payment of remaining principal and interest due June 2018. In June 2018, the bank extended the loan under the same terms for three months. In September 2018, the bank extended the loan under new terms, with a fixed rate of 5.5% effective September 15, 2018, payable in monthly installments of \$3,354 and final payment of remaining principal and interest due August 2024. In August 2020, the bank extended the loan under the same terms, extending the maturity to December 2028. It is guaranteed by a lien on the clinic property at 455 School Street Bldg 3, Tomball, Texas 77375.	270,952	279,261
7% life insurance policy loan borrowed against cash surrender value of \$0 and \$282,003 at December 31, 2020 and 2019, respectively	-	264,223
Total long-term debt	\$756,850	\$1,044,283

The long-term debt is expected to mature as follows:

Year ending December 31,	
2021	\$75,484
2022	79,742
2023	84,240
2024	88,992
2025	94,011
Thereafter	334,381
Total	\$756,850

TOMAGWA Ministries, Inc.

Notes to the Financial Statements

NOTE 13 – 403(b) SALARY REDUCTION PLAN

The Organization is the Custodian in a Section 403(b) salary reduction plan established under the “Custodial Account Agreement” of IRS Code Section 403(b)(7). The plan covers all employees and participation is voluntary. The Organization does not make employer contributions to the plan.

NOTE 14 – ACCRUED COMPENSATED ABSENCES

Beginning in 2016, the Organization changed its policy regarding the carryover of paid time off (PTO). Employees are entitled to paid vacation and personal days, which accumulate each month of employment based on the number of years the employee has been with the Organization. Employees may carry forward a maximum of 80 hours of earned PTO into the following year. At the end of employment, eligible employees will be paid for earned but unused PTO, unless state law dictates otherwise.

As of December 31, 2020 and 2019, the Organization has accrued for vacation and personal days in the amount of \$45,379 and \$37,371, respectively.

NOTE 15 – CAFETERIA PLAN

The Organization established a Cafeteria Plan (Premium Conversion Plan) under the provisions of Code Section 125 of the Internal Revenue Code, effective September 1, 2010. Under the plan, eligible employees may elect to contribute their share of the cost of health and dental insurance premiums via salary reduction on the pre-tax basis.

NOTE 16 – RELATED PARTIES

The Organization made purchases amounting to \$1,207 and \$1,291 from the Home Health Store during 2020 and 2019, respectively. The Home Health Store is owned by Tom Gloyer, a member of the Board of Directors.

NOTE 17 – NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued new lease accounting requirements in ASU 2016-02, *Leases*. In June 2020, the FASB issued an amendment to the pronouncement extending the effective date from reporting periods beginning after December 15, 2019 to reporting periods beginning after December 15, 2021 due to the adverse effects of the COVID-19 pandemic. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than twelve months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

NOTE 18 – SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 16, 2021, the date the financial statements were available to be issued. The Organization has determined that no change to the financial statements for the year ended December 31, 2020 is deemed necessary as a result of this evaluation.

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. The spread of COVID-19 and related global responses have caused material disruptions to many economies around the world, resulting in an economic slowdown. Global equity markets have also experienced significant volatility and weakness. Although governments and central banks have reacted with interventions designed to stabilize economic conditions, the duration and extent of the impact of the COVID-19 outbreak remains unclear.

TOMAGWA Ministries, Inc.

Notes to the Financial Statements

In January 2021, the Organization received a second draw of loan proceeds in the amount of \$265,465 under the Paycheck Protection Program (“PPP”) as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). The PPP provides loans to qualifying businesses and are forgivable if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains average payroll levels. Any unforgiven portion of the PPP loan will be payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. While the Organization believes its use of the PPP loan proceeds meet the conditions of forgiveness, it is possible the Organization may be ineligible for forgiveness of the loan, in whole or in part.

The Organization has determined that these events are non-adjusting subsequent events. Accordingly, the statement of financial position and statement of activities as of and for the year ended December 31, 2020 have not been adjusted to reflect their impact. As of August 16, 2021, the virus and related responses have not significantly impacted the Organization’s ability to continue to operate and provide services. While it is possible that the virus and related responses could have a negative effect on the Organization’s activities and financial position (such as the fair value of the Organization’s contributions from grantors), the ultimate impact of COVID-19 is not reasonably estimable at this time.