



Heroes for Children

Financial Statements
December 31, 2020 and 2019

Heroes for Children

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Independent Auditors' Report

Board of Directors
Heroes for Children

We have audited the accompanying financial statements of Heroes for Children (a nonprofit organization) which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 U.S. generally accepted accounting principles; 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 error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heroes for Children as of December 31, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

A handwritten signature in cursive script that reads "Sutton Frost Cary".

A Limited Liability Partnership

Arlington, Texas
September 20, 2021

Heroes for Children
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 291,959	\$ 396,922
Accounts receivable	-	2,711
Pledges receivable	-	5,000
Prepaid expenses	5,267	16,308
Total current assets	297,226	420,941
Property and equipment:		
Furniture and fixtures	12,520	12,520
Computer equipment	7,341	25,456
	19,861	37,976
Accumulated depreciation	(19,861)	(37,976)
Total property and equipment, net	-	-
Other assets:		
Endowment investments	338,087	295,213
Security deposit	3,778	3,778
Total assets	\$ 639,091	\$ 719,932
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ -	\$ 17,667
Accrued expenses	13,138	16,538
Deferred event revenue	-	7,850
Total current liabilities	13,138	42,055
Net assets:		
Without donor restrictions:		
Undesignated	281,797	334,666
Board designated endowment	338,087	295,213
Total net assets without donor restrictions	619,884	629,879
With donor restrictions	6,069	47,998
Total net assets	625,953	677,877
Total liabilities and net assets	\$ 639,091	\$ 719,932

See notes to financial statements.

Heroes for Children
Statements of Activities
Years Ended December 31, 2020 and 2019

	2020	2019
Net assets without donor restrictions:		
Revenue, gains and support:		
Contributions	\$ 580,078	401,290
Special event income, net of direct benefit costs of \$24,624 and \$336,054, respectively	215,990	672,146
In-kind contributions	16,930	198,046
Government grant	102,700	-
Other income	531	-
Investment income, net	36,169	52,979
Total revenue, gains and support	952,398	1,324,461
Net assets released from restrictions	44,929	37,945
Total revenue, gains, support and reclassifications	997,327	1,362,406
Expenses:		
Program services	842,456	856,632
General and administrative	76,587	93,447
Fundraising	88,279	355,368
Total expenses	1,007,322	1,305,447
Change in net assets without donor restrictions	(9,995)	56,959
Net assets with donor restrictions:		
Contributions	3,000	63,930
Net assets released from restrictions	(44,929)	(37,945)
Change in net assets with donor restrictions	(41,929)	25,985
Change in net assets	(51,924)	82,944
Net assets at beginning of year	677,877	594,933
Net assets at end of year	\$ 625,953	\$ 677,877

See notes to financial statements.

Heroes for Children
Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services	General and Administrative	Fundraising	Total
Assistance provided to families:				
Financial assistance	\$ 213,974	\$ -	\$ -	\$ 213,974
Advocacy activities	1,797	-	-	1,797
Social assistance	14,945	-	-	14,945
Total assistance to families	230,716	-	-	230,716
Personnel cost and benefits:				
Salaries and wages	365,735	36,171	10,694	412,600
Insurance benefits	59,687	5,903	538	66,128
Payroll taxes	31,564	3,121	1,825	36,510
Total personnel cost and benefits	456,986	45,195	13,057	515,238
Direct cost of fundraising:				
Consulting fees - grant writer	-	-	-	-
Fundraising and marketing	-	-	48,977	48,977
Other	-	-	-	-
Total direct cost of fundraising	-	-	48,977	48,977
General operating expenses:				
Bank and credit card fees	-	3,225	5,963	9,188
Board functions and meetings	515	51	-	566
Consulting fees	3,246	2,781	20,282	26,309
Dues and subscriptions	13,040	1,290	-	14,330
Insurance	11,233	1,111	-	12,344
Internet	4,781	473	-	5,254
Lease expense	52,518	5,194	-	57,712
Meals and entertainment	3,830	379	-	4,209
Miscellaneous	13,983	1,383	-	15,366
Office supplies	19,592	1,937	-	21,529
Payroll processing	5,119	506	-	5,625
Postage and delivery	2,755	272	-	3,027
Professional fees	16,150	12,000	-	28,150
Special events	-	-	24,624	24,624
Telephone	2,913	288	-	3,201
Travel and transportation	5,079	502	-	5,581
Total general operating expenses	154,754	31,392	50,869	237,015
Total expenses	842,456	76,587	112,903	1,031,946
Less expenses included with revenues on the statement of activities				
Direct costs of special events	-	-	(24,624)	(24,624)
Total expenses included in the expense section on the statement of activities	<u>\$ 842,456</u>	<u>\$ 76,587</u>	<u>\$ 88,279</u>	<u>\$ 1,007,322</u>

See notes to financial statements.

Heroes for Children
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services	General and Administrative	Fundraising	Total
Assistance provided to families:				
Financial assistance	\$ 250,712	\$ -	\$ -	\$ 250,712
Advocacy activities	15,452	-	-	15,452
Social assistance	90,076	-	-	90,076
Total assistance to families	356,240	-	-	356,240
Personnel cost and benefits:				
Salaries and wages	269,356	66,450	145,561	481,367
Insurance benefits	14,904	4,232	8,356	27,492
Payroll taxes	22,587	6,308	12,521	41,416
Total personnel cost and benefits	306,847	76,990	166,438	550,275
Direct cost of fundraising:				
Consulting fees - grant writer	-	-	11,250	11,250
Fundraising and marketing	-	-	10,154	10,154
Other	-	-	177	177
Total direct cost of fundraising	-	-	21,581	21,581
General operating expenses:				
Bank and credit card fees	-	3,110	28,305	31,415
Board functions and meetings	2,404	528	912	3,844
Consulting fees	1,685	374	1,685	3,744
Dues and subscriptions	564	94	282	940
Equipment	240	40	120	400
In-kind	99,023	-	99,023	198,046
Insurance	1,953	434	1,953	4,340
Internet	4,843	807	2,422	8,072
Lease expense	43,442	2,896	11,585	57,923
Meals and entertainment	896	124	362	1,382
Miscellaneous	714	179	714	1,607
Office supplies	4,185	697	2,092	6,974
Payroll processing	738	201	403	1,342
Postage and delivery	1,884	296	869	3,049
Printing and reproduction	3,891	649	1,946	6,486
Professional fees	3,700	1,850	3,700	9,250
Special events	-	-	336,054	336,054
Telephone	4,249	708	2,124	7,081
Travel and transportation	12,647	2,389	4,308	19,344
Volunteer/donor appreciation	-	-	1,300	1,300
Website	6,487	1,081	3,244	10,812
Total general operating expenses	193,545	16,457	503,403	713,405
Total expenses	856,632	93,447	691,422	1,641,501
Less expenses included with revenues on the statement of activities				
Direct costs of special events	-	-	(336,054)	(336,054)
Total expenses included in the expense section on the statement of activities	<u>\$ 856,632</u>	<u>\$ 93,447</u>	<u>\$ 355,368</u>	<u>\$ 1,305,447</u>

See notes to financial statements.

Heroes for Children
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (51,924)	\$ 82,944
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Donation of investments	(10,930)	-
Gains on investments	(28,902)	(44,965)
Changes in assets and liabilities:		
Accounts receivable	2,711	6,412
Pledges receivable	5,000	(2,500)
Prepaid expenses	11,041	8,436
Security deposit	-	312
Accounts payable	(17,667)	15,342
Accrued expenses	(3,400)	(4,651)
Deferred event revenue	(7,850)	(10,525)
Net cash provided (used) by operating activities	(101,921)	50,805
Cash flows from investing activities:		
Purchases of investments	(3,042)	(5,936)
Change in cash and cash equivalents	(104,963)	44,869
Cash and cash equivalents at beginning of year	396,922	352,053
Cash and cash equivalents at end of year	\$ 291,959	\$ 396,922

Noncash investing activities:

During the year ended December 31, 2020, Heroes for Children received donated stock with a total value of \$10,930.

Heroes for Children

Notes to Financial Statements

1. Organization

Heroes for Children (HFC) is a nonprofit organization advocating for and providing financial and social assistance to families within the state of Texas with children 0-22 years of age battling cancer. HFC was formerly known as Taylor's Angels. HFC was created in memory of Taylor Anne Brewton and Allison Leigh Scott. HFC's mission statement is as follows:

"Heroes for Children advocates for and provides financial and social assistance to families with children (0-22 years of age) battling cancer".

The vision of HFC is "No family with a child battling cancer will fight alone".

HFC maintains three main programs, as follows:

1. Financial assistance which provides direct assistance to families to help cover such things as rent, utilities, car payments and funerals.
2. Social assistance in the form of providing laptops to teenagers, holiday gifts to families, and assistance to families in celebrating life's milestones.
3. Advocacy activities offer community support for families struggling to raise a child with cancer.

Applications for assistance are received from social workers in hospitals/clinics who have completed a full financial assessment on the families. HFC is primarily supported by contributions and grants from individuals, corporations and other nonprofit organizations.

2. Summary of Significant Accounting Policies

The accounting policies of HFC conform to U.S. generally accepted accounting principles (GAAP). The more significant accounting policies of HFC are described below.

Basis of Accounting

HFC prepares the financial statements on the accrual basis of accounting.

Financial Statement Presentation

HFC's financial statements are presented in accordance with GAAP which requires HFC to report its financial position and activities using two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets and changes therein are classified as follows:

Heroes for Children

Notes to Financial Statements

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net assets with donor restrictions - Net assets subject to donor stipulations that will be met by actions of HFC and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting HFC to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy. HFC had no such assets as of December 31, 2020 and 2019.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Financial Instruments and Credit Risk Concentrations

Financial instruments, which are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents and investments in marketable securities.

Cash and cash equivalents are placed with high credit quality financial institutions to minimize risk. HFC maintains cash balances at financial institutions located in Texas. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2020, HFC's had no uninsured bank balance. HFC has not experienced any losses on such assets.

Investments are exposed to various risks such as interest rate, market and credit risks. It is reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect the amounts reported.

Cash and Cash Equivalents

HFC considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. From time to time, cash balances in these accounts may exceed federally insured limits.

Heroes for Children

Notes to Financial Statements

Accounts and Pledges Receivable

Pledges are recorded at the estimated fair value when made and accounts receivable are generally recorded at the invoiced amount.

Investments

At December 31, 2020 and 2019, HFC's investments consist of common stock and mutual funds and are stated at fair value in accordance with GAAP. Changes in fair value are recorded as unrealized gains (losses). Realized gains (losses) are recorded upon the sale of the investments. Interest income is recognized under the accrual basis and dividend income is recognized on the ex-dividend date.

Property and Equipment

Property and equipment purchased by HFC are recorded at cost or, if donated, at estimated fair market value at the date of the gift. HFC follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,500; the fair value of donated fixed assets is capitalized. Depreciation is computed using the straight-line method over estimated useful lives of 3 to 10 years for property and equipment.

Deferred Event Revenue

Deferred event revenue consists primarily of ticket sales and registrations collected for events which are to be held in a future year. Revenue is recognized upon occurrence of the event.

Revenue Recognition

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give (pledge) has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected and reduced by an allowance for uncollectible amounts. Conditional promises to give are recognized when the conditions to which they are subject are met. If funds are received related to the conditional promise, the amounts received are accounted for as a refundable advance.

Donated materials, event tickets and investments are reflected as contributions at their estimated fair values at date of receipt. HFC recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Heroes for Children

Notes to Financial Statements

Concentrations

At December 31, 2019, the balance due from two donors totaled approximately 24% of total accounts receivable.

Pledges receivable as of December 31, 2019 were comprised of one donor.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. All expenses are allocated on the basis of estimates of time and effort of the staff.

Federal Income Tax

HFC is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to HFC's exempt purpose is subject to tax under IRC Section 511. HFC had no unrelated business income for the years ended December 31, 2020 and 2019. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing HFC's tax returns and recognition of a tax liability (or asset) if HFC has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by HFC, and has concluded that as of December 31, 2020 and 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP 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 estimated.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification.

Heroes for Children

Notes to Financial Statements

HFC considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on HFC's financial position and changes in net assets.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. The standard takes effect for fiscal years beginning after December 15, 2021.

In 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. HFC will be required to present contributed nonfinancial assets as a separate line items in the statement of activities, apart from contributions of cash or other financial assets, and additional quantitative and qualitative disclosures will be required. The standard takes effect for annual reporting periods beginning after June 15, 2021.

HFC is currently assessing the impact that adopting this new guidance will have on the financial statements.

3. Investments

Under the Fair Value Measurements and Disclosures topic of the Codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date; |
| Level 2 | Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; |
| Level 3 | Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk. |

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Notes to Financial Statements

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Common Stock

Common stock is valued at the closing price reported on the New York Stock Exchange Composite Listing and is classified within level 1 of the valuation hierarchy.

Mutual Funds

These investments are public investment vehicles valued using the net asset value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within level 1 of the valuation hierarchy.

HFC's investments at fair value are as follows as of December 31:

	<u>2020</u>	<u>2019</u>
Common stock	\$ 36,129	\$ 27,044
Mutual funds:		
Index	209,967	181,232
Growth	56,751	52,726
Fixed income	35,240	34,211
	<u>\$ 338,087</u>	<u>\$ 295,213</u>

The following investments represent more than 10% of total investments at December 31:

	<u>2020</u>	<u>2019</u>
Lord Abbett Bond Debenture Class A	\$ 56,751	\$ 52,726
Lord Abbett Short Duration Income Class A	35,240	34,211
Vanguard Index FDS Vanguard Growth	87,909	63,213
Vanguard Index FDS Vanguard Value ETF	50,558	50,936

4. Endowment

As of December 31, 2020 and 2019, the board of directors had designated \$338,087 and \$295,213, respectively, of net assets without donor restrictions as a general endowment fund to support the mission of HFC. HFC has a spending policy of appropriating for distribution each year an amount deemed prudent to carry out the charitable purposes of HFC.

Heroes for Children

Notes to Financial Statements

To achieve that objective, HFC has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. Composition of and changes in endowment net assets are as follows for the years ended December 31:

	2020	2019
Board designated endowment net assets, beginning of year	\$ 295,213	\$ 244,312
Contributed investments	10,930	-
Unrealized gains (losses)	28,902	44,965
Reinvested dividends	3,042	5,936
Board designated endowment net assets, end of year	\$ 338,087	\$ 295,213

5. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes as of December 31:

	2020	2019
Laptops for Love	\$ 2,350	\$ 9,050
Holiday Heroes	3,719	1,413
Client assistance	-	7,275
Nonmedical services	-	20,260
Client assistance in Houston	-	10,000
Total	\$ 6,069	\$ 47,998

6. Commitments

HFC leases office space in Richardson and Houston, Texas pursuant to non-cancelable operating leases expiring in 2021. In addition, HFC leases certain office equipment pursuant to a non-cancelable operating lease expiring in 2021. For the years ended December 31, 2020 and 2019, lease expense associated with these leases was approximately \$55,000 and \$60,000, respectively.

Future minimum lease payments pursuant to the lease agreements total \$23,314 for the year ending December 31, 2021.

Heroes for Children
Notes to Financial Statements

7. In-Kind Contributions and Related Party Transactions

HFC received the following in-kind contributions during the years ended December 31:

	<u>2020</u>	<u>2019</u>
Stock	\$ 10,930	\$ -
Professional services	-	126,875
Rent	6,000	-
Supplies and miscellaneous items	<u>11,241</u>	<u>71,171</u>
Total	<u>\$ 28,171</u>	<u>\$ 198,046</u>

During the year ended December 31, 2020, HFC received donated stock with a fair market value of \$10,930, which is reflected in accompanying statements of activities as in-kind contributions. HFC also received donated rent with estimated fair market value of \$6,000, which is reflected in accompanying statements of activities as in-kind contributions and lease expense. The estimated fair value of donated supplies of \$11,241 is reflected in the accompanying statements of activities as special event income and expense.

During the year ended December 31, 2019, HFC received donated public relations services from a board member with estimated fair market values of \$126,875, which is reflected in accompanying statements of activities as in-kind contributions and expense. The estimated fair value of donated supplies of \$71,171 is reflected in the accompanying statements of activities as in-kind contributions and expense.

For the year ended December 31, 2020, HFC received contributions from board members totaling \$84,970 which represents approximately 14% of total contributions. For the year ended December 31, 2019, HFC received contributions from board members totaling \$93,845 which represents approximately 20% of total contributions.

Heroes for Children
Notes to Financial Statements

8. Paycheck Protection Program Loans

On April 30, 2020, HFC entered into an unsecured loan (PPP Loan) in the aggregate amount of \$102,700 with a bank pursuant to the Paycheck Protection Program, which is sponsored by the Small Business Administration, and is part of the Coronavirus Aid, Relief and Economic Security Act, as amended by the Paycheck Protection Program Flexibility Act of 2020. HFC received notification of full forgiveness of the PPP Loan on May 25, 2021. Accordingly, HFC has recognized \$102,700 as government grant income in the statements of activities.

On March 1, 2021, HFC received a second PPP loan (Loan) in the amount of \$90,700. The Loan may be forgiven partially or in full, if certain conditions are met. If the Loan is not forgiven, it will accrue interest at 1.00% and will be due in 5 years. Management of HFC believes the Loan will be fully forgiven.

9. Liquidity and Availability of Resources

HFC's financial assets available within one year of the statement of financial position date for general expenditures are as follows as of December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 291,959	\$ 396,922
Accounts receivable	-	2,711
Pledges receivable	-	<u>5,000</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 291,959</u>	<u>\$ 404,633</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date.

HFC receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures within one year.

HFC strives to maintain liquid financial assets sufficient to cover near-term operating needs, and to maintain sufficient reserves to provide reasonable assurance that long-term obligations will be fulfilled. To achieve this, HFC forecasts its future cash flows and monitors its liquidity monthly and quarterly. During the years ended December 31, 2020 and 2019, the level of liquidity was managed within HFC's expectations.

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Notes to Financial Statements

HFC maintains an investment account according to the investment policy adopted by the board of directors. The policy allows for a board-designated endowment investment account. In the event the need arises to utilize the board-designated endowment investment account for liquidity purposes, the reserves could be drawn upon through board resolution.

10. Uncertainty

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The coronavirus outbreak has severely restricted the level of economic activity in the Texas area. The pandemic has led HFC to reduce the size of special events, leading to a reduction in special event revenue.

Going forward, these impacts are not expected to be as significant as in the past year.

11. Subsequent Events

HFC evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required.