

Morgan's Point Resort Economic Development Corporation

Report on Audit of Financial Statements
For the Years Ended September 30, 2021, 2020 and 2019



A. Bricks Coggin CPA, PLLC

Morgan's Point Resort Economic Development Corporation

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INDEPENDENT AUDITOR'S REPORT

To Those Charged with Governance and Management of
Morgan's Point Resort Economic Development Corporation
Morgan's Point Resort, TX

Opinion

We have audited the accompanying financial statements of Morgan's Point Resort Economic Development Corporation (a not-for-profit Texas Organization), which comprise the statements of financial position as of September 30, 2021, 2020 and 2019, and the related statements of activities and changes in net assets, 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 Morgan's Point Resort Economic Development Corporation as of September 30, 2021, 2020 and 2019, and the results of its operations 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 Morgan's Point Resort Economic Development Corporation 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 the 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 MPR EDCs ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 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 Morgan's Point Resort Economic Development Corporation'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 Morgan's Point Resort Economic Development Corporation'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.



A Bricks Coggin, CPA PLLC
Irving, Tx. 75039

May 31, 2023

Morgan's Point Resort Economic Development Corporation
Statement of Financial Position
September 30, 2021, 2020 and 2019

	Sep 30, 2021	Sep 30, 2020	Sep 30, 2019
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 36,774	\$ 26,965	\$ 90,148
Account Receivable	35,303	-	-
Total Current Assets	72,077	26,965	90,148
TOTAL ASSETS	72,077	26,965	90,148
 LIABILITIES AND NET ASSETS			
LIABILITIES			
Current Liabilities			
Loan Payable to the City of Morgan's Point Resort	75,158	-	-
Total Current Liabilities	75,158	-	-
Total Liabilities	75,158	-	-
NET ASSETS			
With Donor Restriction	-	-	-
Without Donor Restriction	(3,081)	26,965	90,148
Total Net Assets	(3,081)	26,965	90,148
TOTAL LIABILITES AND NET ASSETS	\$ 72,077	\$ 26,965	\$ 90,148

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

Morgan's Point Resort Economic Development Corporation
Statement of Activities Change in Net Assets
For the Years Ended September 30, 2021, 2020 and 2019

	September 30, 2021			September 30, 2020			September 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT									
Local Support									
Program Service Fees	\$ 196,821	-	\$ 196,821	\$ 60,294	-	\$ 60,294	\$ 51,157	-	\$ 51,157
Total Local Support	196,821	-	196,821	60,294	-	60,294	51,157	-	51,157
Total Revenues and Local Support	196,821	-	196,821	60,294	-	60,294	51,157	-	51,157
EXPENSES									
Program Services:									
Program Fees and Other	217,935	-	217,935	119,027	-	119,027	10,374	-	10,374
Administrative and General	8,994	-	8,994	4,836	-	4,836	915	-	915
Total Expenses	226,929	-	226,929	123,863	-	123,863	11,289	-	11,289
OTHER INCOME AND EXPENSE									
Interest	62	-	62	385	-	385	280	-	280
Total Other Income and Expense	62	-	62	385	-	385	280	-	280
CHANGE IN NET ASSETS	(30,046)	-	(30,046)	(63,184)	-	(63,569)	40,148	-	40,148
NET ASSETS, beginning of year	26,965	-	26,965	90,148	-	90,148	50,000	-	50,000
NET ASSETS, end of year	\$ (3,081)	\$ -	\$ (3,081)	\$ 26,964	\$ -	\$ 26,965	\$ 90,148	\$ -	\$ 90,148

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

Morgan's Point Resort Economic Development Corporation
Statement of Functional Expenses
For the Years Ended September 30, 2021, 2020 and 2019

	September 30, 2021			September 30, 2020			September 30, 2019		
	Program Services	Administrative and General	Total	Program Services	Administrative and General	Total	Program Services	Administrative and General	Total
Advertising	-	3,100	3,100	-	-	-	-	-	-
Amenities	-	-	-	11,279	-	11,279	-	-	-
Bullhorn and Batteries	61,067	-	61,067	-	-	-	-	-	-
Construction Drawing	-	-	-	5,900	-	5,900	-	-	-
Deer Repellent	7,500	-	7,500	-	-	-	-	-	-
Hardware and Freight	84,313	-	84,313	-	-	-	-	-	-
Interest	-	1,217	1,217	-	-	-	-	-	-
Landscaping	21,475	-	21,475	17,100	-	17,100	-	-	-
Meals	-	1,779	1,779	-	207	207	-	215	215
Other Equipments	4,726	-	4,726	2,868	-	2,868	-	-	-
Other Expenses	-	-	-	-	-	-	3,032	-	3,032
Playground Equipments	20,146	-	20,146	44,768	-	44,768	-	-	-
Professionnal Fees	-	173	173	-	-	-	-	-	-
Prototype	1,350	-	1,350	9,850	-	9,850	-	-	-
Safe Area Preparation	15,630	-	15,630	-	-	-	-	-	-
Salaries	-	-	-	-	400	400	-	700	700
Shipping	-	-	-	-	14	14	-	-	-
Signs	-	2,725	2,725	-	-	-	-	-	-
Supplies	-	-	-	1,765	-	1,765	210	-	210
Survey	-	-	-	100	-	100	7,132	-	7,132
Turf	-	-	-	25,397	-	25,397	-	-	-
Utilities Lines	1,728	-	1,728	-	-	-	-	-	-
Workshop	-	-	-	-	4,215	4,215	-	-	-
	<u>217,935</u>	<u>8,994</u>	<u>226,929</u>	<u>119,027</u>	<u>4,836</u>	<u>123,863</u>	<u>10,374</u>	<u>915</u>	<u>11,289</u>

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

Morgan's Point Resort Economic Development Corporation
Statement of Functional Expenses
For the Years Ended September 30, 2021, 2020 and 2019

	<u>Sep 30, 2021</u>	<u>Sep 30, 2020</u>	<u>Sep 30, 2019</u>
OPERATING ACTIVITIES			
Cash Flow from Operating Activities:			
Cash received from sales tax	\$ 53,120	\$ 56,911	\$ 23,700
Cash received - other	143,763	3,768	27,737
Payments to vendors	<u>(226,929)</u>	<u>(123,863)</u>	<u>(11,289)</u>
Net cash provided by (used in) operating activities	<u>(30,046)</u>	<u>(63,184)</u>	<u>40,148</u>
INVESTING ACTIVITIES			
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>	<u>-</u>
FINANCING ACTIVITIES			
Loan Payable	<u>39,856</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>39,856</u>	<u>-</u>	<u>-</u>
CHANGE IN CASH AND CASH EQUIVALENTS	9,810	(63,184)	40,148
CASH AND CASH EQUIVALENTS, beginning of year	<u>26,964</u>	<u>90,148</u>	<u>50,000</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 36,774</u>	<u>\$ 26,964</u>	<u>\$ 90,148</u>

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

Morgan's Point Resort Economic Development Corporation
Notes to Financial Statements
September 30, 2021, 2020 and 2019

NOTE 1. NATURE OF ORGANIZATION

Morgan's Point Resort Economic Development Corporation ("MPR EDC") is a public instrumentality and a non-profit corporation, organized exclusively for the purpose of benefiting the City of Morgan's Point Resort ("the City") by promoting, assisting, and enhancing the economic development activities. MPR EDC has a governing board that is appointed by the Mayor and the City Council, who is accountable for the financial matters responsible to the City Council.

Mission Statement

MPR EDC was created as a Type B, nonprofit organization under the Texas Development Corporation of 1979 (Chapter 501 & 505) and will make grants loans and other distributions to organizations for projects related to job training, recreation or community facilities, affordable housing, water supply facilities and water conservation programs, business enterprises and business development. MPR EDC is currently working closely with the City's Planning and Zoning Committee on a downtown revitalization program and MPR EDC will offer grants to property owners in the commercial district to come up to code for signs and trash enclosures. In the future, MPR EDC will also offer loans for new business development.

Per the mission statement, MPR EDC created, retained and reinvested wealth in the community. MPR EDC helped fund and took the lead for the Kleypas Park remodel. Economic impact studies document the many and substantial economic benefits generated by parks: (a) increased property value for homes adjacent to the park (b) sales tax- festivals and food trucks located at the park (c) tourism revenue (ADA play equipment, beautiful location on the lake etc.)-local restaurants, Dollar General etc. MPR EDC's Executive Director requested CARES funds for Small Business Grants. \$3,500 was approved by the city. \$500 grants were awarded to 7 local businesses.

Vision Statement

The vision of MPR EDC is to create a desirable and welcoming community that supports business opportunities while honoring its small-town roots and vibrant lakeside lifestyle. MPR EDC is a destination city. It has lakeside property and 5 city parks. Statistics show that parks are a source of positive economic benefits- increasing property values, municipal revenues and they bring in workers and attract both families and retirees.

Strategic Plan

Per the strategic plan, MPR EDC has maximized current assets:

- The City has contracted to include a GIS mapping system on their website. A Zoning Map will be included.
- A list of commercial properties; property owners and business occupied buildings has been created. All but two existing buildings are occupied.

Morgan's Point Resort Economic Development Corporation
Notes to Financial Statements
September 30, 2021, 2020 and 2019

NOTE 1. NATURE OF ORGANIZATION, Continued

- Vacant buildings have been identified (two). One property is scheduled to be refurbished and used as a storage for their current business. The owner of the second building plans to bring in new businesses- food, entertainment (a place to gather) and possibly a brewery.
- A representative of MPR EDC attends all City Planning and Zoning meetings. Possible code violations in the commercial district have been pointed out. A plan is to work together to create new ordinances for signs and commercial garbage containers. The goal is to create a better “first impression” for visitors and residents, alike when they enter MPR EDC commercial (4 corners) district.

The city is in the middle of a Comprehensive Plan. MPR EDC has made recommendations for future commercial development areas and possible zoning changes.

Past Activities

Kleypas Park & Community Center

Morgan's Point Resort is a destination city with lakeside property and 5 city parks. By 2011, most of the city parks were in need of renovation. On January 1, 2020, MPR EDC facilitated a city multi-department strategic planning session to discuss key issues facing both the City and the EDC and review the projects underway. It was from this session that MPR EDC decided to focus on parks. Improvements to Kleypas Park (60 Morgan's Point Blvd) included a new master park plan, new paddling trails, new signs, memorial swings, an ADA playground & updates to the community center. The activities were completed by outside contractors, city employees and supervised by MPR EDC committee (90% of time). The project was funded by sales tax, donations, bank loan, city loan and matching funds from a Texas Parks & Wildlife Grant (awarded to the City of MPR). 90% of overall expenses were allocated to this activity. The project furthered the exempt purpose by working on behalf of the City to provide financing for city projects (parks, auditoriums, open space improvements & publicly owned facilities) as defined in the Texas Development Corporation Act. MPR EDC hope to bring in tourism revenue by offering special amenities in the city parks.

Current Activities.

Business Recruitment and Retention

Throughout the later part of 2022, new volunteers have joined the Board bringing with them new ideas, enthusiasm, and a shift in priorities. The Board wants to focus on smart growth, business retention and expansion through the following activities:

- Formed a Business Network with a focus to “Live.Work.Play” in Morgan's Point Resort
- Published a business directory
- Publish a monthly newsletter
- Promote local businesses on an EDC Facebook page (Discover Morgan's Point Resort)

Morgan's Point Resort Economic Development Corporation
Notes to Financial Statements
September 30, 2021, 2020 and 2019

NOTE 1. NATURE OF ORGANIZATION, Continued

- Created a website (<https://mpr-edc.org>)
- Participated in ribbon cuttings for Firefly Yoga & Movement & Two Lakes Realty
- Visits to local business owners
- Held monthly business round tables (business needs/concerns)
- Set up a pilot program to bring in food trucks (promoting “mobile, temporary & seasonal” type businesses).
- Researched the idea of bringing in a farmer’s market to MPR.
- Initiated cardboard recycling as a possible new business for MPR
- Small business grants- distributed CARES funds.

The Board of Directors (all volunteers) conducted the activities within the city limits, committing 75% of their time and 75% of their funds (sales tax) to business retention and recruitment. The activity furthers the exempt purposes to retain and expand businesses in MPR (business owner assistance (needs/concerns), business appreciation efforts, milestone anniversary celebrations, milestone anniversary celebrations and exit interviews with any recently closed businesses.

Future Activities

Business Recruitment and Retention

MPR is a gateway city located on the banks of Lake Belton. The city leaders understand that managed growth is a top priority. Currently the city survives on property taxes (1,500 households), water sales, a very limited number of businesses and a few cities owned property rentals (marina, community center). Commercial property is limited, and any future commercial buildings will require septic systems. It is almost impossible to bring in new businesses that require a brick-and-mortar location. MPR EDC plans to continue to work on bringing a wastewater solution to MPR to help with the business recruitment and retention goals.

- Determine and secure commercial property
- Industry Analysis for “best fit” businesses
- Showcase the community to developers, investors and site selection consultants
- Business Retention & Expansion
- Find a wastewater solution

The Board of Directors has decided that they would like to hire a professional economic development consultant to help complete the long and short term work plan (activities will be within the city limits). The projects take up about 75% of the volunteer hours. The main source of funding is from sales tax. MPR EDC will look into getting grants and/or possible loans. Expenses for the work plan projects are typically 75% of MPR EDC income. The future activities will continue to focus on specific purposes of business development of new and expanded business enterprises, encourage employment, public welfare and projects related to recreational or community facilities.

Morgan's Point Resort Economic Development Corporation
Notes to Financial Statements
September 30, 2021, 2020 and 2019

NOTE 1. NATURE OF ORGANIZATION, Continued

2022-2023 MPR EDC WORK PLAN

1. Work with the City to determine available properties for commercial/industrial growth
2. Work with the City to decide which land to secure and how to obtain it.
3. Work with the City to determine which types of businesses to attempt to recruit/attract and the economic impact of various industries/jobs
4. Work with the City to determine appropriate marketing techniques to showcase MPR EDC community to developers, investors and site selection consultants
5. Submit an annual report to the City by January 31 each year
6. MPR EDC will update the City regarding their Business Retention & Expansion (BRE) efforts including visits to business owners/manager, existing business assistance, business appreciation efforts, milestone anniversary celebrations, needs/concerns raised by business owners, and exit interviews with any recently closed businesses.
7. Brainstorm possible options for the old "Captain's Table" facility
8. Partner with the City to find a wastewater solution for Morgan's Point Resort.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of MPR EDC have been prepared on the accrual basis of accounting and accounting principles. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Balance Sheet Classifications

A one-year time period is used to classify all other current assets and liabilities.

Support and Expenses

Promises to give are recognized when a donor makes a promise to give to MPR EDC that is, in substance, unconditional. All other contributions are recognized as revenues when received. Expenses are recorded as incurred in accordance with the accrual basis of accounting.

Contributions received and unconditional promises to give are measured at their fair values and are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions. All contributions, including contributions of long-lived assets, are considered by MPR EDC to be available for use unless specifically restricted by the donor. Net assets with donor restrictions are reclassified to net assets without restrictions upon satisfaction of the time or purpose restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are classified as net assets with donor restrictions and reclassified accordingly. Revenues from cost-reimbursement grants are recognized at the time the underlying expenditures are made.

Morgan's Point Resort Economic Development Corporation
Notes to Financial Statements
September 30, 2021, 2020 and 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Gifts of goods and equipment are recorded as net assets without restrictions unless explicit donor stipulations specify how the donated assets must be used, and absent donor stipulations about how long any long-lived assets must be maintained. MPR EDC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated professional services are recorded in the statement of activities at their fair values. No amounts have been reflected in the statements for other donated services in as much as the services did not require specialized skills and no objective basis is available to measure the value of such services.

Expense Recognition and Allocation

The cost of providing MPR EDC's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Indirect expenses have been allocated based on management estimates and other similar allocation methods.

Risk and Uncertainties

MPR EDC enters into contracts with vendors which have various terms and conditions. Management expects the risk from these contracts, if any, will be remote. MPR EDC has no current claims or losses in relation to these contracts.

Cash and Cash Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less. For financial reporting purposes, certificates of deposit with original maturities of three months or less are classified as cash equivalents. Deposit accounts at the bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Such estimates include but are not limited to estimated losses on accounts receivable, estimated realizable value on excess and obsolete inventory and estimated cost to complete construction-type contracts using progress billings per agreement. Actual results could differ from those estimates. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation.

Morgan's Point Resort Economic Development Corporation
Notes to Financial Statements
September 30, 2021, 2020 and 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

the percentage of completion method, allowance for doubtful accounts, accrued expenses, and percentage of completion of jobs in process.

Concentrations of Credit Risk

Financial instruments that potentially subject MPR EDC to credit risk include cash on deposits with a financial institution if they exceed \$250,000, the FDIC insured limits.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of MPR EDC, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets with Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; MPR EDC must continue to use the resources in accordance with the donor's instructions.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising cost was minimal for the years ended September 30, 2021, 2020 and 2019, respectively.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Uncollectible Accounts Receivable

Receivables are reviewed annually for collectability. In the event a receivable is not collectible the amounts are charged off to the allowance for doubtful accounts established by expensing to bad debt expense. For the years ended September 30, 2021, 2020 and 2019 management has accrued \$-0- for an allowance account and deems all receivables 100% collectable.

Contract Asset and Contract Liability Disclosures

Contract assets — Contract assets include unbilled amounts typically resulting from sales under contracts when revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer. The amounts may not exceed their estimated net realizable value. Contract assets are classified as current based on the contract operating cycle.

Contract liabilities — Contract liabilities (formerly referred to as customer advances and amounts in excess of costs incurred) include advance payments and billings in excess of revenue recognized. Contract liabilities are classified as current based on the contract operating cycle and reported on a contract-by-contract basis, net of revenue recognized, at the end of each reporting period.

Revenue Recognition

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration MPR EDC expects to receive in exchange for those products or services. MPR EDC enters into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

Significant Judgments

Judgment is required to determine the Stand-alone Selling Prices (SSP) for each distinct performance obligation. MPR EDC uses a single amount to estimate SSP for items that are not sold separately.

In instances where SSP is not directly observable, such as when MPR EDC does not sell the product or service separately, MPR EDC determines the SSP using information that may include market conditions and other observable inputs.

Morgan's Point Resort Economic Development Corporation
Notes to Financial Statements
September 30, 2021, 2020 and 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Process

The process for achieving the core revenue recognition principle can be broken down into five steps:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies the performance obligation.

Management's Discussion and Analysis of Financial Condition and Result of Operations

- Source of Cash

Historically, MPR EDC has generated cash from sales tax. For the years ended September 30, 2021, 2020 and 2019, MPR EDC funded its working capital needs primarily through cash flows from operations. As of September 30, 2021, MPR EDC has \$36,774 of cash and cash equivalents on hand.

- Uses of Cash

MPR EDC primary uses of cash include payments to vendors.

NOTE 3. TAX STATUS

MPR EDC is a nonprofit corporation (Applied For) whose revenue is derived from sales tax and other activities.

In March 2023, MPR EDC has submitted an application for recognition of exemption from federal income tax under section 501(C)(4). As of the date of the audit report, the application is still being processed by the Internal Revenue Service. The 990EZ tax forms were filed for the years ended September 30, 2020, 2021 and 2022.

NOTE 4. FAIR VALUE MEASUREMENTS

MPR EDC reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- **Level 1.** Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.

Morgan's Point Resort Economic Development Corporation
Notes to Financial Statements
September 30, 2021, 2020 and 2019

NOTE 4. FAIR VALUE MEASUREMENTS, Continued

- **Level 2.** Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
 - o quoted prices for similar assets or liabilities in active markets;
 - o quoted prices for identical or similar assets in markets that are not active;
 - o observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - o inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- **Level 3.** Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the Organization's financial statements are initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.

- recurring measurement of short-term investments.
- recurring measurement of endowment and long-term investments.
- recurring measurement of beneficial interests in trusts.

During the years ended September 30, 2021, 2020 and 2019, there were no assets subject to the measurement.

NOTE 5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year as of September 30, 2021, 2020 and 2019 were cash and cash equivalents totaling \$36,774, \$26,965 and \$90,148, respectively.

NOTE 6. CONCENTRATIONS OF RISK

MPR EDC's projects are significantly funded by sales tax, donations, bank loan, city loan and matching funds from a Texas Parks & Wildlife Grant (awarded to the City of MPR). MPR EDC's ability to generate resources via sales tax is dependent upon the economic health of the City of Morgan's Point Resort, TX.

NOTE 7. COMMITMENTS, CONTINGENCIES AND RISK

MPR EDC is subject to various litigation and other claims in the normal course of business. MPR EDC establishes liabilities in connection with legal actions that management deems to be probable and estimable. MPR EDC has no litigation in process at September 30, 2021.

Morgan's Point Resort Economic Development Corporation
Notes to Financial Statements
September 30, 2021, 2020 and 2019

NOTE 7. COMMITMENTS, CONTINGENCIES AND RISK, Continued

MPR EDC enters into contracts that contain a variety of indemnifications for which the maximum exposure is unknown. Management expects the risk due to such contracts, if any, to be remote.

MPR EDC has been notified and appealed penalties from the IRS totaling \$15,180. The appeal is pending. The total estimated amount of penalties has not been determined due to the appeal.

As a Type B Corporation (Chapter 501 & 505) formed under the Texas Development Act of 1979, the Directors of MPR EDC did not plan initially to become a 501(C)(4). The Board's understanding was that the corporation was formed as a tax-exempt governmental unit (City of Morgan's Point Resort, TX) and excused from filing Form 990, 990ez or 990-N. This was based on Texas Code- Section 505.106- Liability and Article Five of the Articles of Organization "For purposes of the Texas Tort Claims Act (Subchapter A, Chapter 101, Texas Civil Practice and remedies Code) the corporation is a governmental unit and its actions are governmental functions". Article One of the Articles of Organization states that the corporation is a public instrumentality and non-profit economic development corporation. The Directors now understand that instrumentalities are exempt from taxes, but not from filing federal forms.

Going Concern

FASB ASC 205-40-50 requires management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). Management shall base its evaluation on relevant conditions and events that are known and reasonable knowable at the date that the financial statements are issued.

NOTE 8. SUBSEQUENT EVENTS

Subsequent events were evaluated through May 31, 2023, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

NOTE 9. NOTE PAYABLE

Originally, MPR EDC has a \$75,000 commercial loan with a financial institution dated June 18, 2020 with a 4.750% interest rate. During fiscal year 2021, MPR EDC has received a \$75,158 loan from the City of Morgan's Point Resort to pay off the \$75,000 commercial loan. In addition, during fiscal year 2022, MPR EDC received \$35,503 from Texas Parks & Wildlife and used the fund to pay the City of Morgan's Point Resort's loan. The \$35,503 remaining balance was forgiven by the city council in fiscal year 2022.

NOTE 10. MARKET RISKS

In addition to the risks inherent in MPR EDC'S operation. MPR EDC is exposed to certain market risks, including changes in interest rate.

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NOTE 11. ACCOUNTS RECEIVABLE

MPR EDC has \$35,303 receivable from Texas Parks & Wildlife as of September 30, 2021, under current assets. The receivable was received during fiscal year 2022.

NOTE 12. RELATED PARTY TRANSACTIONS

There was no related party transaction besides the \$75,158 loan payable to the City of Morgan's Point Resort as of September 30, 2021.

NOTE 13. REVENUE RECOGNITION

MPR EDC adopted ASC 606 using the modified retrospective method applied to all contracts not completed for annual reporting periods beginning after December 15, 2019. Results for reporting periods beginning after December 15, 2019 are presented under ASC 606 while prior period amounts continue to be reported in accordance with legacy GAAP. The adoption of ASC 606 did not result in a change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustment was recorded.

MPR EDC elects not to provide specific disclosures related to the following:

- Quantitative disaggregation disclosures
- Contract balances
- Transaction price allocated to remaining performance obligations
- Information related to significant judgements
- Use of practical expedients
- Certain information related to costs incurred to obtain or fulfill a contract with a customer

Also, performance obligations disclosures components are:

- When the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered, or upon completion of service)
- The significant payment terms
- The nature of the goods or services
- Obligations for returns, refunds, and
- Types of warranties and related obligations

Concerning the disclosure of significant judgments, there have been no changes in judgments, that significantly affect the determination of the amount and timing of revenue from contracts with customers.

In addition, data used to determine revenue recognition are:

- the timing of the satisfaction of performance obligations, and
- the transaction price and the amounts allocated to performance obligations

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NOTE 13. REVENUE RECOGNITION, Continued

MPR EDC elects to use the practical expedient regarding the following:

- The existence of a significant financing component
- The incremental costs of obtaining a contract.

Revenue has not been impacted by economic factors and is consistently recognized as stated above.

MPR EDC applies a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less.