

**The Storehouse of Collin County
(formerly Common Unity, Inc.)**

**Financial Statements
December 31, 2018 and 2017**

The Storehouse of Collin County

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Independent Auditors' Report

Board of Directors
The Storehouse of Collin County

We have audited the accompanying financial statements of The Storehouse of Collin County (formerly Common Unity, Inc.) (a nonprofit organization) which comprise the statements of financial position as of December 31, 2018 and 2017 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 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 The Storehouse of Collin County (formerly Common Unity, Inc.) as of December 31, 2018 and 2017, 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 black ink that reads "Sutton Frost Cary". The signature is written in a cursive, flowing style.

A Limited Liability Partnership

Arlington, Texas
September 24, 2019

The Storehouse of Collin County
Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 124,848	\$ 294,752
Pledge receivable	194,135	130,637
Inventory	1,785	6,285
Prepaid expenses	3,643	3,643
Other assets	4,659	-
Total current assets	329,070	435,317
Property and equipment, net	27,528	44,644
Total assets	\$ 356,598	\$ 479,961
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 2,716	\$ 1,871
Accrued expenses	-	36,321
Total current liabilities	2,716	38,192
Net assets:		
Without donor restrictions	353,882	291,776
With donor restrictions	-	149,993
Total net assets	353,882	441,769
Total liabilities and net assets	\$ 356,598	\$ 479,961

See notes to financial statements.

The Storehouse of Collin County
Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 552,139	\$ -	\$ 552,139
Noncash goods and products	3,668,185	-	3,668,185
Noncash professional services	87,188	-	87,188
Other income	2,444	-	2,444
Net assets released from restriction	149,993	(149,993)	-
Total revenue and support	4,459,949	(149,993)	4,309,956
Expenses:			
Program services	4,169,640	-	4,169,640
General and administrative	228,203	-	228,203
Total expenses	4,397,843	-	4,397,843
Change in net assets	62,106	(149,993)	(87,887)
Net assets at beginning of year	291,776	149,993	441,769
Net assets at end of year	\$ 353,882	\$ -	\$ 353,882

See notes to financial statements.

The Storehouse of Collin County
Statement of Activities
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 241,680	\$ 153,999	\$ 395,679
Noncash goods and products	3,017,783	-	3,017,783
Noncash professional services	85,000	-	85,000
Other income	33,267	-	33,267
Net assets released from restriction	4,006	(4,006)	-
Total revenue and support	3,381,736	149,993	3,531,729
Expenses:			
Program services	3,528,006	-	3,528,006
General and administrative	238,537	-	238,537
Total expenses	3,766,543	-	3,766,543
Change in net assets	(384,807)	149,993	(234,814)
Net assets at beginning of year	676,583	-	676,583
Net assets at end of year	\$ 291,776	\$ 149,993	\$ 441,769

See notes to financial statements.

The Storehouse of Collin County
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services			Total Program Services	Management and General	Total
	Food Pantry	Joseph's Coat	Project Hope			
Direct assistance	\$ 90,438	\$ 13,283	\$ 40,875	\$ 144,596	\$ 1,899	\$ 146,495
Noncash direct assistance	3,573,571	9,430	22,397	3,605,398	-	3,605,398
Payroll	84,085	17,843	115,266	217,194	178,194	395,388
Noncash rent, utilities and professional services	36,681	11,198	99,296	147,175	2,800	149,975
Special events	-	2,087	-	2,087	-	2,087
Outside services	-	-	6,919	6,919	2,601	9,520
Supplies	3,249	750	1,278	5,277	2,316	7,593
Maintenance	20,040	758	758	21,556	3,108	24,664
Postage and shipping	-	-	-	-	520	520
Legal and accounting	-	-	-	-	13,948	13,948
Travel and meetings	227	-	330	557	725	1,282
Printing and publications	491	-	1,009	1,500	2,405	3,905
Insurance	-	-	-	-	10,292	10,292
Office	2,586	573	1,385	4,544	3,591	8,135
Subscriptions	-	-	-	-	460	460
Bank fees	-	-	-	-	1,065	1,065
Depreciation	8,558	1,540	2,739	12,837	4,279	17,116
Total	\$ 3,819,926	\$ 57,462	\$ 292,252	\$ 4,169,640	\$ 228,203	\$ 4,397,843

See notes to financial statements.

The Storehouse of Collin County
Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services			Total Program Services	Management and General	Total
	Food Pantry	Joseph's Coat	Project Hope			
Direct assistance	\$ 88,519	\$ 15,680	\$ 52,597	\$ 156,796	\$ 594	\$ 157,390
Noncash direct assistance	2,926,190	10,837	26,270	2,963,297	-	2,963,297
Payroll	85,604	19,463	116,064	221,131	182,496	403,627
Noncash rent, utilities and professional services	36,560	11,250	97,109	144,919	2,869	147,788
Special events	-	225	-	225	-	225
Outside services	-	-	1,733	1,733	2,707	4,440
Supplies	4,823	1,116	1,319	7,258	2,222	9,480
Maintenance	14,433	532	532	15,497	2,911	18,408
Postage and shipping	-	-	-	-	1,761	1,761
Legal and accounting	-	-	-	-	17,209	17,209
Travel and meetings	871	-	705	1,576	1,824	3,400
Printing and publications	164	-	342	506	896	1,402
Insurance	-	-	-	-	8,502	8,502
Office	1,100	307	705	2,112	9,474	11,586
Subscriptions	-	-	-	-	144	144
Bank fees	-	-	-	-	610	610
Depreciation	8,637	1,555	2,764	12,956	4,318	17,274
Total	<u>\$ 3,166,901</u>	<u>\$ 60,965</u>	<u>\$ 300,140</u>	<u>\$ 3,528,006</u>	<u>\$ 238,537</u>	<u>\$ 3,766,543</u>

See notes to financial statements.

The Storehouse of Collin County
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (87,887)	\$ (234,814)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	17,116	17,274
Changes in operating assets and liabilities:		
Pledge receivable	(63,498)	123,061
Inventory	4,500	(632)
Prepaid expenses	-	(940)
Other assets	(4,659)	-
Accounts payable	845	(47,749)
Accrued expenses	(36,321)	(1,187)
Net cash used by operating activities	(169,904)	(144,987)
Cash and cash equivalents at beginning of year	294,752	439,739
Cash and cash equivalents at end of year	\$ 124,848	\$ 294,752

See notes to financial statements.

The Storehouse of Collin County

Notes to Financial Statements

1. Organization

Common Unity, Inc., was incorporated September 21, 2009, under the laws of the state of Texas and approved May 11, 2010, as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (Code). The Organization changed their name to The Storehouse of Collin County (Organization) in 2019. The Organization was formed with the mission to holistically assist Collin County residents in crisis meet the most basic human needs. The Organization provides nutritional supplemental food, gently used clothing and household goods, access to transforming social services, limited financial support, education and training and other living necessities to individuals and families residing in Collin County zip codes. The Texas Commodity Assistance Program guidelines and published U.S. poverty levels serve as guidelines to determine need and to identify individuals and families who qualify to receive Organization resources.

The Organization's office and facilities are located in St. Andrew United Methodist Church (Church). The Church contributes facilities and personnel services to the Organization but does not exhibit managerial or financial control over the operations of the Organization (Note 4).

The Organization is primarily supported by contributions from individuals, other organizations and the Church.

Programs

The Organization pursues its objectives through the execution of the following major programs:

Seven Loaves Food Pantry – This program provides one week's worth of healthy food for each person in qualifying households.

Joseph's Coat – This program is seasonal in nature and distributes new and gently used clothing to qualifying households (generally winter coats and "back to school" jeans and backpacks).

Project Hope – The goal of this program is to facilitate qualifying households to move from an impoverished lifestyle to a sustainable quality of life. The program provides coaching, training, education, opportunity and hope to qualifying households who meet certain criteria.

The Storehouse of Collin County

Notes to Financial Statements

2. Summary of Significant Accounting Policies

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

Basis of Accounting

The Organization prepares the financial statements on the accrual basis of accounting.

Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

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 the Organization 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 the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a board approved spending policy. As of December 31, 2018 and 2017, no such net asset restrictions existed.

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. Expirations of net assets with donor restrictions (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. The Organization chooses to show restricted contributions whose restrictions are met in the same reporting period as contributions without donor restrictions.

The Storehouse of Collin County

Notes to Financial Statements

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 a pledge receivable. The Organization places cash and cash equivalents, which at times may exceed federally insurable limits, with high credit quality financial institutions to minimize risk. The Organization has not experienced losses on such assets. The pledge receivable is unsecured and is due from the Church. The Organization continually evaluates the collectability of pledges receivable and maintains allowances for potential losses, if considered necessary.

The Organization maintains cash balances at various financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018, the Organization had no deposits in excess of the insurable limit.

Cash Equivalents

The Organization considers all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

Inventory

The Organization's inventory consists of purchased and donated perishable and non-perishable food items. These items are distributed to clients free of charge. Inventory is valued at an estimated amount of \$1.71 and \$1.69 per pound at December 31, 2018 and 2017, respectively, and/or at the cost of products purchased.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost or if acquired by gift, fair market value at the date of the gift. The fair value of donated fixed assets is capitalized. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Depreciation is calculated using the straight-line method based upon the estimated useful lives of the assets which range from 3 to 10 years.

Revenue Recognition

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give (pledges receivable) that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

The Storehouse of Collin County

Notes to Financial Statements

The Organization recognizes contribution revenue for professional services 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.

The Organization receives donated food and grocery products from the general public, food drives, philanthropic and compassion agencies, members of the Church and other area churches, the North Texas Food Bank and local area merchants. These donations are valued as of the latest valuation study of Feeding America. As need and/or availability arises, various food types are also purchased, primarily through the North Texas Food Bank. Undistributed food is kept in controlled environments and held as inventory until distributed.

The Organization recognizes the fair value of donated food and grocery products as noncash contributions upon receipt of goods and as noncash direct assistance expense when provided to the Organization's clients.

Donated use of facilities and utilities are primarily donated by the Church and are reflected as contributions at their estimated fair values at date of receipt.

In order to enable the Organization to meet its mission, a substantial number of volunteers donate significant amounts of their time to the Organization's programs and fundraising functions. These amounts do not meet the requirements for recognition in the financial statements.

Federal Income Taxes

The Organization is exempt from federal income tax under section 501(c)(3) of the Code and has not been classified as a private foundation as defined in the Code. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under Code Section 511. The Organization had no unrelated business income for the years ended December 31, 2018 and 2017. 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 the Organization's tax returns and recognition of a tax liability (or asset) if the Organization 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 the Organization, and has concluded that as of December 31, 2018 and 2017, 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.

The Storehouse of Collin County

Notes to Financial Statements

Allocation of Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Costs are allocated between program services and support services based on management's judgment considering space used, time spent or direct relation to the program or support service benefited.

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.

The Organization 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 the Organization's financial position and changes in net assets.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The effective date of ASU 2014-09 is for annual periods beginning after December 15, 2018 for the majority of not-for-profit organizations.

The Storehouse of Collin County

Notes to Financial Statements

In 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, *Not-for-Profit Entities* or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance. The standard is effective for annual periods beginning after December 15, 2018 for the majority of not-for-profit entities. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

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. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2019.

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

Accounting Pronouncements Adopted

The Organization adopted FASB ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* as of and for the year ended December 31, 2018 with retrospective application for the 2017 financial statements. As result, the major changes applicable for the Organization include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) requiring that all nonprofits disclose a summary of the allocation methods used to allocate costs, and (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources. The Organization opted to not disclose liquidity and availability information for 2017 as permitted under the ASU in the year of adoption. The adoption of this ASU had no effect on net assets or the change in net assets presented for the years ended December 31, 2018 and 2017.

The Storehouse of Collin County
Notes to Financial Statements

3. Property and Equipment

Property and equipment are summarized as follows at December 31:

	<u>2018</u>	<u>2017</u>
Vehicles	71,770	77,578
Leasehold improvements	10,437	10,437
Computer equipment	8,622	8,622
Refrigerators and freezers	<u>24,141</u>	<u>24,141</u>
Total	114,970	120,778
Less: accumulated depreciation	<u>(87,442)</u>	<u>(76,134)</u>
	<u>\$ 27,528</u>	<u>\$ 44,644</u>

Depreciation expense totaled \$17,116 and \$17,274 for the years ended December 31, 2018 and 2017, respectively.

4. Relationship with St. Andrew United Methodist Church

As stated in Note 1, the Organization utilizes facilities and utilities provided by the Church for office, warehousing, food storage and distribution. The Church also donates administrative and clerical support services. All payroll and benefit expenses of the Organization are paid through the Church. The Church invoices for a portion of the payroll and supporting services; the remainder is reflected in the accompanying financial statements as in-kind donations and in-kind expenses.

The amounts contributed by the Church and recognizable under GAAP are reflected in the accompanying financial statements as in-kind contributions totaling \$56,067 for the years ended December 31, 2018 and 2017.

While the Organization and the Church do not have a formal relationship and do not share common governance control, it is unlikely that the Organization could continue its programs and operations at its current level without continuing Church support.

5. Concentrations

In-kind donations represented 87% and 88% of total revenue for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, 100% of the pledge receivable is due from the Church.

The Storehouse of Collin County
Notes to Financial Statements

6. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of amounts restricted by donors for the following purposes at December 31, 2017:

Time restricted	\$ 147,894
Cars for clients	<u>2,099</u>
	<u><u>\$ 149,993</u></u>

No such restrictions existed at December 31, 2018.

7. In-Kind Contributions

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

	<u>2018</u>	<u>2017</u>
Food	\$ 3,561,604	\$ 2,917,888
Other goods	43,793	37,107
Rent, utilities and professional services	<u>149,976</u>	<u>147,788</u>
	<u><u>\$ 3,755,373</u></u>	<u><u>\$ 3,102,783</u></u>

8. Liquidity and Availability of Resources

The Organization has \$318,983 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$124,848 and a pledge receivable of \$194,135. 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.

The Organization 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, the Organization forecasts its future cash flows and monitors its liquidity monthly. During the year ended December 31, 2018, the level of liquidity was managed within the Organization's expectations.

The Storehouse of Collin County
Notes to Financial Statements

9. Subsequent Events

In May 2019, the Organization was awarded a grant for food pantry upgrades of up to \$145,000 and three years of licensing for case management software.

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