The Storehouse of Collin County

Financial Statements
June 30, 2020

Sutton Frost Cary LLP
Certified Public Accountants

The Storehouse of Collin County

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Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' Report

Board of Directors
The Storehouse of Collin County

We have audited the accompanying financial statements of The Storehouse of Collin County (a nonprofit organization) which comprise the statement of financial position as of June 30, 2020 and the related statements of activities, functional expenses and cash flows for the eighteen months 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 audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit 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 as of June 30, 2020, and the changes in its net assets and cash flows for the eighteen months then ended in accordance with U.S. generally accepted accounting principles.

Sutton Frost Cary
A Limited Liability Partnership

Arlington, Texas
January 8, 2021

The Storehouse of Collin County
Statement of Financial Position
June 30, 2020

Assets

Current assets:		
Cash and cash equivalents	$	698,142
Grant receivable		29,338
Inventory		111,791
Prepaid expenses		2,721
Other assets		1,640
Total current assets		843,632
Property and equipment, net		91,950
Total assets	$	935,582

Liabilities and Net Assets

Current liabilities:		
Accounts payable	$	5,742
Accrued expenses		17,599
Total current liabilities		23,341
Net assets:		
Without donor restrictions		864,369
With donor restrictions		47,872
Total net assets		912,241
Total liabilities and net assets	$	935,582

See notes to financial statements.

The Storehouse of Collin County
Statement of Activities
Eighteen Months Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	$ 1,348,479	$ 57,386	$ 1,405,865
In-kind contributions	4,430,255	-	4,430,255
Net assets released from restriction	9,514	(9,514)	-
Total revenue and support	5,788,248	47,872	5,836,120
Expenses:			
Program services	4,979,988	-	4,979,988
Management and general	210,662	-	210,662
Fundraising	87,111	-	87,111
Total expenses	5,277,761	-	5,277,761
Change in net assets	510,487	47,872	558,359
Net assets at beginning of period	353,882	-	353,882
Net assets at end of period	$ 864,369	$ 47,872	$ 912,241

See notes to financial statements.

The Storehouse of Collin County
Statement of Functional Expenses
Eighteen Months Ended June 30, 2020

	Program Services			Total			
	Seven Loaves	Joseph's Coat	Project Hope	Program Services	Management and General	Fundraising	Total
Assistance	$ 3,463,108	$ 700,043	$ 62,662	$ 4,225,813	$ -	$ -	$ 4,225,813
Payroll	442,230	28,078	14,039	484,347	140,390	77,215	701,952
Rent and utilities	68,687	4,988	1,750	75,425	7,770	-	83,195
Outside services	24,608	5,171	4,448	34,227	6,310	-	40,537
Maintenance	62,159	4,048	3,168	69,375	4,171	-	73,546
Legal and accounting	-	-	-	-	23,629	-	23,629
Insurance	-	-	-	-	19,072	-	19,072
Office	13,116	2,443	3,591	19,150	3,651	113	22,914
Miscellaneous	23,965	1,909	8,601	34,475	5,669	9,783	49,927
Depreciation	29,741	7,435	-	37,176	-	-	37,176
Total	$ 4,127,614	$ 754,115	$ 98,259	$ 4,979,988	$ 210,662	$ 87,111	$ 5,277,761

See notes to financial statements.

The Storehouse of Collin County
Statement of Cash Flows
Eighteen Months Ended June 30, 2020

Cash flows from operating activities:		
Change in net assets	$	558,359
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
In-kind donation of capitalized asset		(104,895)
Loss on disposal of property		1,297
Depreciation		37,176
Changes in operating assets and liabilities:		
Grant receivable		164,797
Inventory		(110,006)
Prepaid expenses		922
Other assets		3,019
Accounts payable		3,026
Accrued expenses		17,599
Net cash provided by operating activities		571,294
Cash flows from investing activities:		
Proceeds from the sale of property and equipment		2,000
Net cash provided by investing activities		2,000
Cash and cash equivalents at beginning of period		124,848
Cash and cash equivalents at end of period	$	698,142

Noncash investing activity:

During the eighteen months ended June 30, 2020, the Organization received donated equipment with a value of $104,895.

See 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.

Change in Fiscal Year

The Organization elected to change its fiscal year-end to June 30 effective with the fiscal period beginning January 1, 2019. The financial statements for the eighteen months ended June 30, 2020 will represent data for the Organization's eighteen month transitional fiscal period from January 1, 2019 through June 30, 2020. All financial statements included have been prepared on an eighteen month basis.

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.

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.

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 in accordance with GAAP.

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 June 30, 2020, 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.

Financial Instruments and Credit Risk Concentrations

Financial instruments, which are potentially subject to concentrations of credit risk, consist principally of cash, cash equivalents and a grant receivable. The Organization places cash, 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 grant receivable is unsecured and is due from the Collin County Commissioners Court. The Organization continually evaluates the collectability of grants 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 June 30, 2020, the Organization's uninsured balances totaled $161,494. Management has placed these funds with high credit quality financial institutions to minimize risk. The Organization has not experienced any losses on such assets.

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 $1.62 per pound at June 30, 2020, 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 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 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 eighteen months ended June 30, 2020. 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 June 30, 2020, 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.

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 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, 2021.

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 2014-09, *Revenue from Contracts with Customers* (Topic 606) as of and for the eighteen months ended June 30, 2020. Topic 606 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 Organization adopted FASB ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* as of and for the eighteen months ended June 30, 2020.

ASU2018-08 was issued 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.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

3. Property and Equipment

Property and equipment are summarized as follows at June 30, 2020:

Vehicles	$	71,771
Leasehold improvements		10,437
Refrigerators and freezers		117,499
Total		199,707
Less: accumulated depreciation		(107,757)
	$	91,950

Depreciation expense totaled $37,176 for the eighteen months ended June 30, 2020.

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 amount contributed by the Church and recognizable under GAAP is reflected in the accompanying financial statements. The Organization received in-kind contributions totaling $112,785 and contributions totaling $76,500 for the eighteen months ended June, 30, 2020.

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 the space provided by the Church.

5. Concentrations

In-kind donations represented 77% of total revenue for the eighteen months ended June 30, 2020. As of June 30, 2020, 100% of the grant receivable is due from Collin County.

6. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of amounts restricted by donors for the following purposes at June 30, 2020:

Van purchase	$ 39,987
Plus One program	2,865
Project Hope	5,020
	$ 47,872

7. Service Agreements

On January 3, 2019, the Organization entered into a service agreement (Agreement) with the North Texas Food Bank (NTFB) to provide food distribution services in the Plano, Texas region. Under the agreement, NTFB will pay for or provide various equipment for the Organization required to provide services under the Agreement. The contract specifies that should the Organization cancel the Agreement before the expiration date of May 7, 2024, NTFB has the right to repossess any equipment not permanently attached to the building. The Organization has no plans to cancel the Agreement; as such, all NTFB-provided equipment have been capitalized by the Organization and are being depreciated over the assets useful lives. The amount at risk, should the agreement be terminated early is $118,455 of fixed assets as of June 30, 2020.

8. In-Kind Contributions

The Organization received the following in-kind contributions during the eighteen months ended June 30, 2020:

Food	$ 3,459,851
Clothing	714,166
Equipment	104,895
Salaries	29,590
Miscellaneous	34,644
Rent, utilities and professional services	87,109
	$ 4,430,255

9. Liquidity and Availability of Resources

The Organization has $727,480 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 $698,142 and a grant receivable of $29,338. 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 eighteen months ended June 30, 2020, the level of liquidity was managed within the Organization's expectations.

10. Uncertainties

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. As a result of the spread of COVID-19, the state of Texas issued shelter-in-place orders and other measures around public gatherings and business operations to slow the spread of the virus. Given the uncertainty in the epidemiological and economic outlook, the ultimate financial effects to the Organization cannot be reasonably estimated at this time.

11. Subsequent Events

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