



**Incarnation House**  
**Financial Statements**  
**December 31, 2019 and 2018**

# Incarnation House

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## **Independent Auditors' Report**

Board of Directors  
Incarnation House

We have audited the accompanying financial statements of Incarnation House (a nonprofit organization) which comprise the statements of financial position as of December 31, 2019 and 2018, 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 fraud or error.

### **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 accounting standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves 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 the risks of material misstatements 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 audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Incarnation House as of December 31, 2019 and 2018, and the changes in its net assets and its 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  
October 23, 2020

**Incarnation House**  
**Statements of Financial Position**  
**December 31, 2019 and 2018**

|   | 2019       | 2018       |
|---|------------|------------|
| <b>Assets</b>                           |            |            |
| <b>Current assets:</b>                  |            |            |
| Cash                                    | \$ 182,157 | \$ 131,587 |
| Prepaid expenses                        | 6,736      | 7,067      |
| <b>Total current assets</b>             | 188,893    | 138,654    |
| Property and equipment, net             | 225,802    | 258,529    |
| <b>Total assets</b>                     | \$ 414,695 | \$ 397,183 |
| <b>Liabilities and Net Assets</b>       |            |            |
| <b>Current liabilities-</b>             |            |            |
| Accounts payable                        | \$ 13,790  | \$ 7,601   |
| Net assets without donor restrictions   | 400,905    | 389,582    |
| <b>Total liabilities and net assets</b> | \$ 414,695 | \$ 397,183 |

See notes to financial statements.

**Incarnation House**  
**Statements of Activities**  
**Years Ended December 31, 2019 and 2018**

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|   | 2019       | 2018       |
|---|------------|------------|
| <b>Net assets without donor restrictions:</b> |            |            |
| <b>Support and other income:</b>              |            |            |
| Contributions                                 | \$ 432,943 | \$ 307,940 |
| In-kind contributions                         | 117,135    | 113,685    |
| Interest and investment income                | 86         | 270        |
| Other income                                  | 17,154     | 5,040      |
| <b>Total support and other income</b>         | 567,318    | 426,935    |
| <b>Expenses:</b>                              |            |            |
| Program services                              | 434,340    | 487,600    |
| Supporting services                           | 56,187     | 24,118     |
| Fundraising                                   | 65,468     | 37,266     |
| <b>Total expenses</b>                         | 555,995    | 548,984    |
| <b>Change in net assets</b>                   | 11,323     | (122,049)  |
| <b>Net assets at beginning of year</b>        | 389,582    | 511,631    |
| <b>Net assets at end of year</b>              | \$ 400,905 | \$ 389,582 |

See notes to financial statements.

**Incarnation House**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2019**

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|                      | Program<br>Services | Supporting<br>Services | Fundraising      | Total             |
|----------------------|---------------------|------------------------|------------------|-------------------|
| Payroll              | \$ 191,418          | \$ 16,079              | \$ 33,414        | \$ 240,911        |
| Occupancy            | 35,625              | -                      | -                | 35,625            |
| Telephone            | 1,559               | -                      | -                | 1,559             |
| Advertising          | 1,047               | 21                     | 1,800            | 2,868             |
| Contract services    | 43,756              | 3,482                  | 7,314            | 54,552            |
| Continuing education | 310                 | -                      | -                | 310               |
| Insurance            | 2,207               | 584                    | 371              | 3,162             |
| Travel               | 842                 | -                      | -                | 842               |
| Office               | 10,708              | 1,040                  | 2,526            | 14,274            |
| Supplies             | 4,560               | -                      | -                | 4,560             |
| In-kind              | 111,127             | 1,923                  | 4,085            | 117,135           |
| Client services      | 30,969              | 308                    | 44               | 31,321            |
| Depreciation         | -                   | 32,727                 | -                | 32,727            |
| Events               | 212                 | 23                     | 15,914           | 16,149            |
|                      | <u>\$ 434,340</u>   | <u>\$ 56,187</u>       | <u>\$ 65,468</u> | <u>\$ 555,995</u> |

See notes to financial statements.

**Incarnation House**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2018**

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|                      | Program<br>Services | Supporting<br>Services | Fundraising      | Total             |
|----------------------|---------------------|------------------------|------------------|-------------------|
| Payroll              | \$ 212,471          | \$ 13,164              | \$ 12,862        | \$ 238,497        |
| Occupancy            | 41,898              | -                      | -                | 41,898            |
| Telephone            | 2,001               | -                      | -                | 2,001             |
| Advertising          | 659                 | 3                      | 2                | 664               |
| Contract services    | 45,355              | 3,298                  | 16,498           | 65,151            |
| Continuing education | 10                  | -                      | 720              | 730               |
| Insurance            | 6,099               | 15                     | 265              | 6,379             |
| Travel               | 1,809               | 10                     | 9                | 1,828             |
| Office               | 5,956               | 1,082                  | 2,305            | 9,343             |
| Supplies             | 2,540               | 89                     | -                | 2,629             |
| In-kind              | 109,193             | 2,246                  | 2,246            | 113,685           |
| Client services      | 32,028              | 52                     | 52               | 32,132            |
| Depreciation         | 27,581              | 4,159                  | 520              | 32,260            |
| Events               | -                   | -                      | 1,787            | 1,787             |
|                      | <u>\$ 487,600</u>   | <u>\$ 24,118</u>       | <u>\$ 37,266</u> | <u>\$ 548,984</u> |

See notes to financial statements.



**Incarnation House**  
**Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

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|  | 2019       | 2018         |
|--|------------|--------------|
| <b>Cash flows from operating activities:</b>   |            |              |
| Change in net assets   | \$ 11,323  | \$ (122,049) |
| Adjustment to reconcile change in net assets<br>to net cash provided (used) by operating activities: |            |              |
| Depreciation   | 32,727     | 32,260       |
| Changes in assets and liabilities:   |            |              |
| Prepaid expenses   | 331        | (1,277)      |
| Accounts payable   | 6,189      | (3,767)      |
| Net cash provided (used) by operating activities   | 50,570     | (94,833)     |
| <b>Net increase (decrease) in cash</b>   | 50,570     | (94,833)     |
| <b>Cash at beginning of year</b>   | 131,587    | 226,420      |
| <b>Cash at end of year</b>   | \$ 182,157 | \$ 131,587   |

See notes to financial statements.

# Incarnation House

## Notes to Financial Statements

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### 1. Organization

Incarnation House (Organization) is a nonprofit organization incorporated in the state of Texas. The Organization is operated exclusively for the charitable purpose of providing vulnerable youth in Dallas access to physical, educational and emotional resources necessary to live an independent and successful future. The Organization offers a safe and consistent after-school destination that feels like home where a network of adults connects students with resources and provides them with support. The Organization is primarily supported by contributions from individuals, local organizations and private grants.

### 2. Summary of Significant Accounting Policies

#### *Basis of Accounting*

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Accordingly, revenues are recognized when earned and expenses are recorded as incurred.

#### *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. As of December 31, 2019 and 2018, no such net asset restrictions existed.

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 of directors approved spending policy. As of December 31, 2019 and 2018, no such net asset restrictions existed.

## **Incarnation House**

### **Notes to Financial Statements**

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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 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.

#### ***Financial Instruments and Credit Risk Concentrations***

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash. Cash is placed with high credit quality financial institutions to minimize risk.

The Organization maintains cash balances at a financial institution located in Texas. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019 the Organization did not have any uninsured bank balances. The Organization has not experienced any losses on such accounts.

During the year ended December 31, 2019, contributions from one donor accounted for 27% of total revenue. During the year ended December 31, 2018, no donor concentrations existed.

#### ***Revenue Recognition***

The Organization recognizes contributions when cash, securities, other assets or an unconditional promise to give is 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. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Special event revenue is recognized at the time of the event.

Donated gift cards, food and rent are reflected as contributions at their estimated fair value at date of receipt. Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. Numerous individuals donate significant amounts of time to the Organization. No donated services were utilized that met the criteria to be recorded as revenue in the Organization's financial statements.

# Incarnation House

## Notes to Financial Statements

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### ***Property and Equipment***

Property and equipment are recorded at cost or, if donated, at estimated fair market value at the date of the gift. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,500; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over estimated useful lives of the assets.

Leasehold improvements are amortized over the remaining term of the lease or the useful life of the improvement, whichever is shorter.

### ***Functional Allocation of 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. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort; occupancy costs and depreciation, which are allocated on a weighted average square footage basis; and supplies, which are allocated based on average employee headcount.

### ***Income Taxes***

The Organization 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 the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization had no unrelated business income for the years ended December 31, 2019 and 2018. 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, 2019 and 2018, 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 support and expenses during the reporting period. Actual results could differ from those estimated.

# Incarnation House

## Notes to Financial Statements

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### ***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***

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 Organization has adopted this ASU as of and for the year ended December 31, 2019.

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 Organization has adopted this ASU as of and for the year ended December 31, 2019.

## Incarnation House

### Notes to Financial Statements

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Analysis of various provisions of the adopted ASUs 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 ASUs.

### 3. Property and Equipment

Property and equipment consist of the following at December 31:

|                          | <u>2019</u>       | <u>2018</u>       |
|--------------------------|-------------------|-------------------|
| Leasehold improvements   | \$ 347,682        | \$ 347,682        |
| Furniture and fixtures   | <u>9,309</u>      | <u>9,309</u>      |
|                          | 356,991           | 356,991           |
| Accumulated depreciation | <u>(131,189)</u>  | <u>(98,462)</u>   |
|                          | <u>\$ 225,802</u> | <u>\$ 258,529</u> |

### 4. In-Kind Contributions

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

|            | <u>2019</u>       | <u>2018</u>       |
|------------|-------------------|-------------------|
| Food       | \$ 33,283         | \$ 32,833         |
| Rent       | 78,852            | 75,852            |
| Gift cards | <u>5,000</u>      | <u>5,000</u>      |
|            | <u>\$ 117,135</u> | <u>\$ 113,685</u> |

### 5. Leases

In January 2016, the Organization entered into a non-cancelable operating lease agreement expiring January 1, 2021. Rent expense incurred under this lease totaled \$19,000 and \$18,000 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments under the operating lease agreement total \$1,500 for the year ending December 31, 2020.

**Incarnation House**  
**Notes to Financial Statements**

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## **6. Liquidity and Availability of Resources**

The Organization has \$182,157 and \$131,587 of financial assets consisting of cash that are available to meet cash needs for general expenditures within one year at December 31, 2019 and 2018, respectively.

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 receives significant contributions each year from donors, which are available to meet annual cash needs for general expenditures. The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. To achieve this, the Organization forecasts its future cash flows and monitors its liquidity monthly and quarterly. During the years ended December 31, 2019 and 2018, the level of liquidity was managed within the Organization's expectations.

## **7. Subsequent Events**

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 Dallas area. Given the uncertainty of the spread of the coronavirus, the related financial impact to the Organization, if any, cannot be determined at this time.

In April, 2020, the Organization received \$39,920 as a loan from the Paycheck Protection Program which originated from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). A portion of the loan may be forgiven in accordance with the terms of the CARES Act.

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