



Incarnation House
Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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, 2020 and 2019, 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
July 15, 2021

Incarnation House
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 369,944	\$ 182,157
Prepaid expenses	6,955	6,736
Total current assets	376,899	188,893
Property and equipment, net	195,686	225,802
Total assets	\$ 572,585	\$ 414,695
Liabilities and Net Assets		
Current liabilities-		
Accounts payable	\$ 8,828	\$ 13,790
Net assets without donor restrictions	563,757	400,905
Total liabilities and net assets	\$ 572,585	\$ 414,695

See notes to financial statements.

Incarnation House
Statements of Activities
Years Ended December 31, 2020 and 2019

	2020	2019
Net assets without donor restrictions:		
Support and other income:		
Contributions	\$ 392,817	\$ 432,943
Government grant	39,920	-
In-kind contributions	122,960	117,135
Event income	88,011	17,154
Other income	36,906	86
Total support and other income	680,614	567,318
Expenses:		
Program services	385,905	434,340
Supporting services	33,242	56,187
Fundraising	98,615	65,468
Total expenses	517,762	555,995
Change in net assets	162,852	11,323
Net assets at beginning of year	400,905	389,582
Net assets at end of year	\$ 563,757	\$ 400,905

See notes to financial statements.

Incarnation House
Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services	Supporting Services	Fundraising	Total
Payroll	\$ 163,528	\$ 18,944	\$ 36,213	\$ 218,685
Occupancy	12,593	-	-	12,593
Telephone	1,050	-	-	1,050
Advertising	752	-	7,100	7,852
Contract services	20,923	1,859	11,179	33,961
Insurance	4,561	615	977	6,153
Travel	785	-	-	785
Office	492	3,327	5,425	9,244
Supplies	3,854	134	-	3,988
In-kind	112,827	3,243	6,890	122,960
Client services	50,386	-	-	50,386
Depreciation	14,154	5,120	10,842	30,116
Events	-	-	19,989	19,989
	<u>\$ 385,905</u>	<u>\$ 33,242</u>	<u>\$ 98,615</u>	<u>\$ 517,762</u>

See notes to financial statements.

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

	Program Services	Supporting 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	11,782	5,563	15,382	32,727
Events	212	23	15,914	16,149
	<u>\$ 446,122</u>	<u>\$ 29,023</u>	<u>\$ 80,850</u>	<u>\$ 555,995</u>

See notes to financial statements.

Incarnation House
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 162,852	\$ 11,323
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	30,116	32,727
Changes in assets and liabilities:		
Prepaid expenses	(219)	331
Accounts payable	(4,962)	6,189
Net cash provided by operating activities	187,787	50,570
Net increase in cash	187,787	50,570
Cash at beginning of year	182,157	131,587
Cash at end of year	\$ 369,944	\$ 182,157

See notes to financial statements.

Incarnation House

Notes to Financial Statements

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, 2020 and 2019, 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, 2020 and 2019, no such net asset restrictions existed.

Incarnation House

Notes to Financial Statements

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, 2020 the Organization's uninsured balance totaled \$90,325. The Organization has not experienced any losses on such accounts.

Contributions from one donor accounted for 27% of total revenue during the year ended December 31, 2019. During the year ended December 31, 2020, 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

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, 2020 and 2019. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing 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, 2020 and 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and expenses during the reporting period. Actual results could differ from those estimated.

Incarnation House

Notes to Financial Statements

Reclassification

Certain items in the 2019 financial statements have been reclassified for comparative purposes to conform with the presentation of the 2020 financial statements.

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.

3. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 347,683	\$ 347,683
Furniture and fixtures	<u>9,309</u>	<u>9,309</u>
	356,992	356,992
Accumulated depreciation	<u>(161,306)</u>	<u>(131,190)</u>
	<u>\$ 195,686</u>	<u>\$ 225,802</u>

Incarnation House
Notes to Financial Statements

4. In-Kind Contributions

The Organization recognized the following in-kind contributions in the accompanying financial statements during the years ended December 31:

	<u>2020</u>	<u>2019</u>
Food	\$ 29,125	\$ 33,283
Rent	75,835	78,852
Office Rent	18,000	-
Gift cards	-	5,000
	<u>\$ 122,960</u>	<u>\$ 117,135</u>

5. Leases

In January 2016, the Organization entered into a non-cancelable operating lease agreement expiring January 1, 2026. Rent expense incurred under this lease totaled \$18,000 and \$19,000 for the years ended December 31, 2020 and 2019, respectively. Due to the COVID-19 pandemic, the Organization received free rent for the year ended December 31, 2020. This is reflected in in-kind contributions on the statement of activities.

The following is a schedule of future required minimum lease payments under the lease agreements for years ending December 31:

2021	18,000
2022	18,000
2023	18,000
2024	18,000
2025	18,000

6. Liquidity and Availability of Resources

The Organization has \$369,944 and \$182,157 of financial assets consisting of cash that are available to meet cash needs for general expenditures within one year at December 31, 2020 and 2019, 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.

Incarnation House

Notes to Financial Statements

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, 2020 and 2019, the level of liquidity was managed within the Organization's expectations.

7. Coronavirus Aid, Relief, and Economic Security Act and Other Coronavirus Events

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic and recommended containment and mitigation measures. The coronavirus outbreak has severely restricted the level of economic activity in the North Central Texas area. The Organization has adjusted operational plans to protect the employees and individuals served while still meeting client needs for essential services. The Organization continues to closely monitor the impact of COVID-19 on all aspects of our business. Given the uncertainty of the spread and duration of the coronavirus, the related financial impact to the Organization, if any, cannot be determined at this time.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act was signed into law. In May 2020, the Organization received a forgivable loan in the amount of \$39,920 pursuant to the Paycheck Protection Program (PPP). The Organization used all of the proceeds to make eligible payments within the 24 week covered period. The Organization has elected to account for the PPP forgivable loan as a conditional grant in accordance with Financial Accounting Standards Board Accounting Standard Codification Topic 958 and expects all of the loan to be forgiven. Accordingly, the Organization has recognized \$39,920 as government grant revenue in the accompanying statement of activities for the year ended December 31, 2020. On April 27, 2021 the loan was forgiven in full.

8. 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.