

GRACE LIKE RAIN, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Grace Like Rain, Inc.
Denton, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Grace Like Rain, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grace Like Rain, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

VHA Accountants, PLLC

Flower Mound, TX
August 10, 2020

Grace Like Rain, Inc.
Statement of Financial Position
December 31, 2019

Assets

Current assets

| | |
|-----------------------------|---------------|
| Cash | \$ 75,804 |
| Prepaid expenses | 3,810 |
| Total current assets | <u>79,614</u> |

| | |
|-------------|------------------|
| Land | <u>3,808,600</u> |
|-------------|------------------|

| | |
|---------------------|---------------------|
| Total assets | <u>\$ 3,888,214</u> |
|---------------------|---------------------|

Liabilities and Net Assets

Current liabilities

| | |
|----------------------------------|--------------|
| Accrued expenses | \$ 5,898 |
| Total current liabilities | <u>5,898</u> |

| | |
|--------------------------|--------------|
| Total liabilities | <u>5,898</u> |
|--------------------------|--------------|

Net assets

| | |
|----------------------------|------------------|
| Without donor restrictions | 3,867,316 |
| With donor restrictions | 15,000 |
| Total net assets | <u>3,882,316</u> |

| | |
|---|---------------------|
| Total liabilities and net assets | <u>\$ 3,888,214</u> |
|---|---------------------|

The notes to financial statements are an integral part of this statement.

Grace Like Rain, Inc.
Statement of Activities
For the Year Ended December 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------|-------------------------------|----------------------------|---------------------|
| Revenue and support | | | |
| Contributions | \$ 245,402 | \$ 15,000 | \$ 260,402 |
| Non-cash contributions | 3,830,716 | - | 3,830,716 |
| Merchandise sales | 2,586 | - | 2,586 |
| Less: cost of merchandise | (5,514) | - | (5,514) |
| Special events: | | | |
| Revenue | 74,488 | - | 74,488 |
| Expenses | (45,425) | - | (45,425) |
| Total revenue and support | 4,102,253 | 15,000 | 4,117,253 |
| Expenses | | | |
| Program services | 287,175 | - | 287,175 |
| Supporting services: | | | |
| Management and general | 108,191 | - | 108,191 |
| Fundraising | 20,480 | - | 20,480 |
| Total expenses | 415,846 | - | 415,846 |
| Change in net assets | 3,686,407 | 15,000 | 3,701,407 |
| Net assets at beginning of year | 180,909 | - | 180,909 |
| Net assets at end of year | \$ 3,867,316 | \$ 15,000 | \$ 3,882,316 |

The notes to financial statements are an integral part of this statement.

Grace Like Rain, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

| | Supporting Services | | | |
|---------------------------|---------------------|---------------------------|------------------|-------------------|
| | Program Services | Management and General | Fundraising | Total |
| Salaries and wages | \$ 103,209 | \$ 46,440 | \$ - | \$ 149,649 |
| Payroll taxes | 11,135 | 5,011 | - | 16,146 |
| Advertising and promotion | - | - | 9,894 | 9,894 |
| Accounting fees | - | 5,655 | - | 5,655 |
| Family expenses | 160,922 | - | - | 160,922 |
| Insurance | - | 4,266 | - | 4,266 |
| Office expense | 11,909 | 16,261 | 10,586 | 38,756 |
| Occupancy | - | 30,558 | - | 30,558 |
| | <u>\$ 287,175</u> | <u>\$ 108,191</u> | <u>\$ 20,480</u> | <u>\$ 415,846</u> |

The notes to financial statements are an integral part of this statement.

Grace Like Rain, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2019

| | |
|--|-------------------------|
| Cash flows from operating activities | |
| Change in net assets | \$ 3,701,407 |
| Adjustment to reconcile change in net assets to net cash provided by operating activities: | |
| Contribution of land | (3,808,600) |
| (Increase) decrease in assets: | |
| Accounts receivable | 2,526 |
| Prepaid expenses | (2,308) |
| Increase (decrease) in liabilities: | |
| Accounts payable | (2,500) |
| Accrued expenses | (764) |
| Net cash used in operating activities | <u>(110,239)</u> |
| Net decrease in cash | <u>(110,239)</u> |
| Cash at beginning of year | <u>186,043</u> |
| Cash at end of year | <u><u>\$ 75,804</u></u> |
| Supplemental disclosure of cash flow information | |
| Interest paid | \$ - |
| Income taxes paid | \$ - |
| Supplemental disclosure of non-cash items | |
| Non-cash contributions | \$ 3,830,716 |

The notes to financial statements are an integral part of this statement.

Grace Like Rain, Inc.
Notes to Financial Statements
December 31, 2019

Note 1. Nature of activities

Grace Like Rain, Inc. (the Organization) is a Texas non-profit organization incorporated in 2016. The Organization is a non-profit ministry existing to provide moms and dads of young children a helping hand in times of crises and homelessness.

Grace Like Rain, Inc. is committed to extending God's love to families who have suffered homelessness, parental incarceration, financial devastation, and other times of severe need by providing programming, training, education, resources, housing, and tangible assistance.

The organization's desire is that every family that enters their program in need will become a part of their extended family, one day fully able to serve others in the same way they were served.

Every family will be encouraged to grow in their relationship with Christ and be given the opportunity to connect with local churches.

As the families in need receive the ministry and help of Grace Like Rain, Inc. finding stability, support, and purpose, it is their vision that those same families will join their team in the mission to rescue and resource others.

The primary source of support to the Organization is voluntary contributions from individuals and churches located primarily in Denton County, Texas.

Note 2. Summary of significant accounting policies

Basis of presentation

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the Guide). ASC 958 was effective January 1, 2018.

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

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Note 2. Summary of significant accounting policies, continued

Revenues and support are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Use of estimates

The preparation of financial statements in conformity with U.S. 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 support, and expenses during the reporting period. Actual results could differ from those estimates.

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, building, and equipment are reported as net assets without donor restrictions upon acquisition and placement in service of the assets.

Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits and may from time to time exceed the federally insured limits. The Organization has not experienced any losses in such accounts.

The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Income taxes

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, no federal or state income taxes are recorded in the accompanying financial statements.

Note 2. Summary of significant accounting policies, continued

Accounting for uncertainty in income taxes

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740-10, *Accounting for Income Taxes*, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities or accrued in the statement of financial position. Federal tax returns of the Organization are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

Functional allocation of expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

Advertising costs are expensed as incurred. Advertising expenses were \$9,894 for the year ended December 31, 2019.

Recent accounting pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In June 2020, the FASB issued ASU 2020-05 which defers the effective date of ASU 2014-09 making it effective for annual reporting periods beginning after December 15, 2019. The Company has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

Note 3. Special events

The Organization conducted three special events in 2019, including the annual gala, the spring carnival, and the Women's Gathering. These events raised a total of \$74,488 with related expenses of \$45,425.

Grace Like Rain, Inc.
Notes to Financial Statements
December 31, 2019

Note 4. Liquidity and availability

Financial assets available for general expenditure within one year are as follows as of December 31, 2019:

| | | |
|------------------|----|---------------|
| Cash | \$ | 75,804 |
| Prepaid expenses | | 3,810 |
| | | <u>79,614</u> |
| | \$ | <u>79,614</u> |

As part of its liquidity management, the Organization has a goal to maintain its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 5. Operating leases

The Company is obligated on leases for office space with terms expiring in 2020. Rent expense on operating leases included in the accompanying financial statements totals \$23,230 for the period ended December 31, 2019. Future minimum rental payments for the leases in 2020 are \$52,714.

Note 6. Concentrations

Approximately 93% of the Organization's combined revenue and support was provided by one contributor in the form of a land donation. Aside from this contribution, 1 contributor comprised 12% of contributions during the year ended December 31, 2019.

Note 7. Subsequent events

The Organization has evaluated subsequent events through August 10, 2020, the date which the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates.

While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, to date, the Organization is not expecting to experience any significant disruption.