



White Rock Center of Hope, Inc.

Financial Statements
October 31, 2019 and 2018

White Rock Center of Hope, Inc.

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Independent Auditors' Report

To the Board of Directors of
White Rock Center of Hope, Inc.

We have audited the accompanying financial statements of White Rock Center of Hope, Inc. (a nonprofit organization) which comprise the statements of financial position as of October 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 auditing 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 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 White Rock Center of Hope, Inc. as of October 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.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
March 6, 2020

White Rock Center of Hope, Inc.
Statements of Financial Position
October 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 286,671	\$ 357,399
Prepaid expenses	11,796	10,693
Resale store sales receivables	2,309	1,604
Inventories	73,694	69,276
Total current assets	374,470	438,972
Property and equipment, net	912,342	907,998
Total assets	\$ 1,286,812	\$ 1,346,970
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,316	\$ 15,257
Mortgage payable, current portion	4,163	14,853
Total current liabilities	17,479	30,110
Mortgage payable, net	-	5,048
Total liabilities	17,479	35,158
Net assets:		
Net assets without donor restrictions	1,264,356	1,311,812
Net assets with donor restrictions	4,977	-
Total net assets	1,269,333	1,311,812
Total liabilities and net assets	\$ 1,286,812	\$ 1,346,970

See notes to financial statements.

White Rock Center of Hope, Inc.
Statement of Activities
Year Ended October 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Donated goods and services	\$ 1,392,527	\$ -	\$1,392,527
Contributions	232,431	4,977	237,408
Government grants	40,000	-	40,000
Resale store sales	382,791	-	382,791
Interest income	751	-	751
Total revenue and support	2,048,500	4,977	2,053,477
Expenses:			
Program services	1,897,898	-	1,897,898
General and administrative	71,021	-	71,021
Fundraising	111,101	-	111,101
Total expenses	2,080,020	-	2,080,020
Change in net assets from operations	(31,520)	4,977	(26,543)
Loss on disposal of equipment	(15,936)	-	(15,936)
Change in net assets	(47,456)	4,977	(42,479)
Net assets at beginning of year	1,311,812	-	1,311,812
Net assets at end of year	\$ 1,264,356	\$ 4,977	\$1,269,333

See notes to financial statements.

White Rock Center of Hope, Inc.
Statement of Activities
Year Ended October 31, 2018

	Without Donor Restrictions	With Donor Restriction	Total
Revenue and support:			
Donated goods and services	\$ 1,478,772	\$ -	\$ 1,478,772
Contributions	218,890	-	218,890
Government grants	29,000	-	29,000
Resale store sales	316,424	-	316,424
Interest income	159	-	159
Net assets released from restrictions	13,073	(13,073)	-
Total revenue and support	2,056,318	(13,073)	2,043,245
Expenses:			
Program services	2,047,197	-	2,047,197
General and administrative	75,261	-	75,261
Fundraising	112,434	-	112,434
Total expenses	2,234,892	-	2,234,892
Change in net assets from operations	(178,574)	(13,073)	(191,647)
Loss on disposal of equipment	(43,305)	-	(43,305)
Change in net assets	(221,879)	(13,073)	(234,952)
Net assets at beginning of year	1,533,691	13,073	1,546,764
Net assets at end of year	\$ 1,311,812	\$ -	\$ 1,311,812

See notes to financial statements.

White Rock Center of Hope, Inc.
Statement of Functional Expenses
Year Ended October 31, 2019

	Program Services	General and Administrative	Fundraising	Total
Client assistance	\$ 1,105,891	\$ -	\$ -	\$ 1,105,891
Resale store cost of goods sold	382,482	-	-	382,482
Wages and payroll taxes	215,079	42,216	96,830	354,125
Professional fees and contract labor	37,440	16,388	-	53,828
Occupancy	50,294	1,311	1,311	52,917
Depreciation	27,737	730	730	29,197
Property and liability insurance	26,733	502	517	27,751
Supplies and equipment	13,595	5,801	5,630	25,025
Bank and credit card fees	9,573	294	-	9,867
Property taxes	8,109	213	213	8,536
Program, staff and volunteer development	8,257	-	-	8,257
Telecommunications and database services	4,718	751	2,615	8,084
Vehicle fuel and maintenance	7,088	-	-	7,088
Postage and printing	403	415	2,621	3,439
Dues and subscriptions	500	1,019	-	1,519
Miscellaneous	-	706	633	1,340
Interest	-	675	-	675
Total expenses	\$ 1,897,898	\$ 71,021	\$ 111,101	\$ 2,080,020

See notes to financial statements.

White Rock Center of Hope, Inc.
Statement of Functional Expenses
Year Ended October 31, 2018

	Program Services	General and Administrative	Fundraising	Total
Client assistance	\$ 1,327,707	\$ -	\$ -	\$ 1,327,707
Wages and payroll taxes	224,732	43,245	96,439	364,416
Resale store cost of goods sold	300,677	-	-	300,677
Occupancy	56,016	1,468	1,468	58,952
Professional fees and contract labor	37,447	18,772	-	56,219
Property and liability insurance	27,156	1,129	1,981	30,266
Depreciation	23,228	620	620	24,468
Supplies and equipment	16,853	3,835	3,723	24,411
Telecommunications and database services	5,570	655	3,626	9,851
Property taxes	7,750	204	204	8,158
Bank and credit card fees	7,592	431	-	8,023
Vehicle fuel and maintenance	5,948	-	-	5,948
Program, staff and volunteer development	5,782	-	-	5,782
Postage and printing	739	761	2,642	4,142
Miscellaneous	-	1,046	1,731	2,777
Interest	-	1,985	-	1,985
Dues and subscriptions	-	1,110	-	1,110
Total expenses	\$ 2,047,197	\$ 75,261	\$ 112,434	\$ 2,234,892

See notes to financial statements.

White Rock Center of Hope, Inc.
Statements of Cash Flows
Years Ended October 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (42,479)	\$ (234,952)
Adjustments to reconcile change in net assets to net cash used by operations:		
Depreciation	29,197	24,468
Debt issuance costs	-	753
Loss on disposal of equipment	15,936	43,305
Changes in operating assets and liabilities:		
Prepaid expenses	(1,103)	639
Government grant receivable	-	14,500
Resale store sales receivables	(705)	(418)
Inventories	(4,418)	22,722
Accounts payable and accrued liabilities	(1,941)	468
Net cash used by operating activities	(5,513)	(128,515)
Cash flows from investing activities-		
Purchases of property and equipment	(49,477)	(271,138)
Net cash used by investing activities	(49,477)	(271,138)
Cash flows from financing activities-		
Principal payments on mortgage payable	(15,738)	(14,029)
Net cash used by financing activities	(15,738)	(14,029)
Net decrease in cash	(70,728)	(413,682)
Cash at beginning of year	357,399	771,081
Cash at end of year	\$ 286,671	\$ 357,399
 Supplemental cash flow information:		
Cash paid during the year for interest	\$ 675	\$ 1,985

See notes to financial statements.

White Rock Center of Hope, Inc.

Notes to Financial Statements

1. Organization

White Rock Center of Hope, Inc. is a not-for-profit corporation founded in Texas in 1988 and governed by a 25-member board of directors (Board). The mission of White Rock Center of Hope, Inc. (Center) is to operate as an ecumenical organization that makes a difference in people's lives by providing a place where the east Dallas community can share God's love and blessings by satisfying basic human needs. The Center serves this mission by providing indigent individuals and families residing within 5 zip codes of east Dallas with food, clothing, financial assistance with rent, utilities and other basic needs, bus passes, school supplies and Christmas gifts for children. Voting members of the Center's Board include individuals who are representatives of churches and organizations as well as other individuals who have professional expertise beneficial to the governance of the Center. The Center is primarily supported by donations of goods and services, contributions and grants from individuals, organizations, foundations and member churches. The Center also receives revenue from its all-volunteer resale shop.

2. Summary of Significant Accounting Policies

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

Basis of Accounting

The accompanying financial statements are presented 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 or grantor stipulations that will be met by actions of the Center 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 Center 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 October 31, 2019 and 2018, no such net asset restrictions existed.

White Rock Center of Hope, Inc.

Notes to Financial Statements

Gifts of cash and other assets received without donor-imposed restrictions are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Gifts received with donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restriction is met in the same reporting period in which the gift was received. Expenses are reported as decreases in net assets without donor restrictions. Expirations of restrictions on net assets are reported as net assets released and reclassified to net assets without donor restrictions when the donor stipulated uses have been fulfilled or the stipulated time period has elapsed.

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 Center 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 October 31, 2019, the Center had uninsured balances totaling \$6,930.

Inventories

Inventories consist of donated goods held for resale in the Center's retail thrift store and donated and purchased goods held for distribution to clients. The Center's donated thrift store inventory is recorded at its estimated net realizable value. Donated inventory held for distribution to clients is recorded at its estimated fair value based on wholesale food prices. Purchased inventory held for distribution to clients is recorded using the first-in, first-out method.

Property and Equipment

Property and equipment are recorded at cost or if acquired by gift, at the fair value at the date of the gift. The Center follows the practice of capitalizing all expenditures for property and equipment in excess of \$3,000; the fair value of donated property and equipment is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 5 to 39 years.

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

Revenue Recognition

Contributions and grants are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been 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 use unless specifically restricted by the donor.

White Rock Center of Hope, Inc.

Notes to Financial Statements

Contributions other than cash are recorded at their estimated fair value on the date of donation. Food donated to the Center, the related food inventory and the value of donated food distributed to individuals is determined based on average wholesale food prices. The value of donations of goods held for sale in the resale store is determined based on estimated net realizable value. Donated goods are recorded as contributions at the date of gift and as expenses when the donated goods are used, sold or distributed to clients. Donated services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation. Donated storage space is recorded as a contribution at the date of gift and as an expense when the donated space is utilized.

Revenue is recognized when resale goods are sold.

Federal Income Taxes

The Center is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. For the years ended October 31, 2019 and 2018, the Center had no material unrelated business income. 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 Center's tax returns and recognition of a tax liability (or asset) if the Center 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 Center, and has concluded that as of October 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.

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 and functional expenses. Costs are allocated between program services and support services based on space used, time and effort or direct relation to the program and 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 revenues and expenses 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.

White Rock Center of Hope, Inc.

Notes to Financial Statements

Deferred Financing Costs

Deferred financing costs of \$5,018 were incurred in connection with the Center's mortgage note payable and are being expensed to interest expense over the term of the debt using the straight-line method which approximates the effective interest method. Debt financing costs of \$418 and \$335 were amortized for the years ended October 31, 2019 and 2018, respectively. Debt financing costs were fully amortized in the year ended October 31, 2019. Deferred financing costs are shown net of mortgage debt on the statements of financial position.

Resale Store Merchandise

Resale store merchandise sales are reported net of discounts, returned goods and sales taxes collected. Sales taxes collected during the years ended October 31, 2019 and 2018 totaled \$30,292 and \$24,877, respectively.

Compensated Absences

The Center's employees are compensated for vacation and other personal leave based on length of employment and other factors. The Center recognizes the cost of compensated absences when paid to employees.

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 Center 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 Center's financial position and results of activities.

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, judgement 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.

White Rock Center of Hope, Inc.

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.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases (ASC Topic 842)* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use (ROU) 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, 2020.

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

Accounting Pronouncements Adopted

The Center adopted FASB ASU 2016-14, *Presentation of Financial Statements for Not-for Profit Entities* as of and for the year ended October 31, 2019. As result, the major changes applicable for the Center 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 present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and 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 Center opted to not disclose liquidity and availability information for 2018 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 year ended October 31, 2019 and 2018.

White Rock Center of Hope, Inc.
Notes to Financial Statements

3. Inventories

Inventories consist of the following at October 31:

	<u>2019</u>	<u>2018</u>
Held for distribution to clients:		
Food and toiletries	\$ 32,381	\$ 30,223
Clothing and toys	7,508	5,766
Held in resale store	<u>33,805</u>	<u>33,287</u>
	<u>\$ 73,694</u>	<u>\$ 69,276</u>

4. Property and Equipment

Property and equipment consist of the following at October 31:

	<u>2019</u>	<u>2018</u>
Building and improvements	\$ 853,472	\$ 835,523
Land and improvements	339,698	339,698
Vehicles	33,214	33,214
Furniture and equipment	<u>38,737</u>	<u>34,347</u>
	1,265,121	1,242,782
Less: accumulated depreciation	<u>(352,779)</u>	<u>(334,784)</u>
	<u>\$ 912,342</u>	<u>\$ 907,998</u>

Depreciation expense totaled \$29,197 and \$24,468 for the years ended October 31, 2019 and 2018, respectively. As described in Note 5 to these financial statements, the Center's building serves as collateral on a mortgage loan payable.

5. Mortgage Payable

The Center's mortgage is payable to a bank in monthly installments of principal and interest, bearing interest annually at the bank's prime rate minus one quarter percent, 4.50% and 5% for the years ending October 31, 2019 and 2018, respectively. This mortgage debt is secured by the Center's building and matures on February 17, 2020.

Scheduled future principal payments on the mortgage payable are \$4,163 for the year ending October 31, 2020.

White Rock Center of Hope, Inc.
Notes to Financial Statements

A summary of mortgage payable at October 31 is as follows:

	2019	2018
Mortgage payable	\$ 4,163	\$ 20,319
Less: unamortized deferred financing costs	-	(418)
Mortgage payable, less unamortized deferred financing costs	4,163	19,901
Less: current portion	(4,163)	(14,853)
	\$ -	\$ 5,048

6. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of amounts restricted by donors for the following purposes or periods at October 31, 2019:

Bus passes for client distribution	\$ 890
Food for client distribution	4,087
	\$ 4,977

There were no net assets with donor restrictions at October 31, 2018.

7. Donated Goods, Services and Storage Space

The Center recorded donations of goods, services and storage space during the years ended October 31:

	2019	2018
Client assistance:		
Food	\$ 772,789	\$ 927,517
Clothing	235,388	225,180
Children's toys	-	5,900
	1,008,177	1,158,597
Resale store merchandise	383,000	314,066
Accounting services	1,350	6,000
Storage space	-	109
Donated goods and services	\$ 1,392,527	\$ 1,478,772

White Rock Center of Hope, Inc.

Notes to Financial Statements

As described in Note 8 to these financial statements, donated goods and services account for a significant portion of the Center's total revenue and support.

In addition to the donated goods and services that are recorded in the accompanying financial statements, the Center also utilizes the services of a significant number of volunteers in order to effectively and efficiently carry out its programs and supporting services. The Center estimates that during the year ended October 31, 2019, over 200 individuals provided approximately 34,000 total hours of volunteer services to the Center. During the year ended October 31, 2018, over 200 individuals provided approximately 36,000 total hours of volunteer services. While the Center considers the services of these volunteers to be critical to the success of the Center's operations, these services are not recorded in the accompanying statement of activities because the donated services did not possess the characteristics required in order to permit recording the services under GAAP, as described in Note 2 to these financial statements. The Center estimates the value of these unrecorded volunteer services to total approximately \$860,000 and \$887,000 for the years ended October 31, 2019 and 2018, respectively.

8. Concentrations

Donated goods, services and storage space accounted for approximately 68% and 72% of the Center's total revenue and support during the years ended October 31, 2019 and 2018, respectively. These donations were received from a variety of sources including the Center's member organizations and other related parties as well as from parties that are independent from the Center including the North Texas Food Bank, local grocers, retail stores, individuals and groups.

During the years ended October 31, 2019 and 2018, the Center's resale store sales accounted for 19% and 15%, respectively, of total revenue and support.

Significant decreases of funding from these sources or alternative funding sources would have a material negative effect on the Center's operations. Management believes these concentration risks are mitigated by the number of prospective donors of in-kind goods and services and the Center's intentions to continue its resale store operations.

9. Liquidity and Availability of Resources

The Center has \$288,980 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure, consisting of cash of \$286,671 and resale store sales receivables of \$2,309. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Center 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. During the year ended October 31, 2019, the level of liquidity was managed within the Center's expectations.

White Rock Center of Hope, Inc.
Notes to Financial Statements

10. Subsequent Events

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