



FAMILY PROMISE OF MIDLAND, TEXAS, INC.

Financial Statements

December 31, 2014 and 2013

(With Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
Family Promise of Midland, Texas

We have audited the accompanying statement of financial position of Family Promise of Midland, Texas, Inc. as of December 31, 2014 and 2013 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 accounting principles generally accepted in the United States; 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 misstatements, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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

Independent Auditors' Report

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 Family Promise of Midland, Texas, Inc. at December 31, 2014 and 2013 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.



Midland, Texas
November 17, 2015

FAMILY PROMISE OF MIDLAND, TEXAS, INC.
 Statements of Financial Position
 December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets:		
Cash	\$ 280,198	274,457
Prepaid expense	9,899	6,056
Equipment and furnishings at cost, net of accumulated depreciation	<u>778,964</u>	<u>141,514</u>
Total assets	\$ <u>1,069,061</u>	<u>422,027</u>
Liabilities and net assets:		
Accounts payable	\$ 7,242	5,782
Accrued payroll and payroll liabilities	5,931	5,072
Program fee deposit	2,650	-
Notes Payable	<u>540,478</u>	<u>-</u>
Total liabilities	<u>566,301</u>	<u>10,854</u>
Net assets:		
Unrestricted	512,760	411,173
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>512,760</u>	<u>411,173</u>
Total liabilities and net assets	\$ <u>1,069,061</u>	<u>422,027</u>

See accompanying notes to financial statements

FAMILY PROMISE OF MIDLAND, TEXAS, INC.
 Statements of Activities
 Years Ended December 31, 2014 and 2013

	<u>Unrestricted</u> <u>2014</u>	<u>Unrestricted</u> <u>2013</u>
Changes in net assets:		
Support and revenues:		
Contributions and grants	\$ 303,797	330,444
Special events	59,463	41,196
Program fees	21,802	-
In-kind contributions	39,245	-
Other	<u>518</u>	<u>558</u>
Total support and revenues	<u>424,825</u>	<u>372,198</u>
Expenses:		
Program services	237,136	149,372
General and administrative	60,743	28,124
Fundraising	<u>25,359</u>	<u>17,577</u>
Total expenses	<u>323,238</u>	<u>195,073</u>
Increase (decrease) in net assets	101,587	177,125
Net assets:		
Beginning of year	<u>411,173</u>	<u>234,048</u>
End of year	\$ <u><u>512,760</u></u>	<u><u>411,173</u></u>

See accompanying notes to financial statements

FAMILY PROMISE OF MIDLAND, TEXAS, INC.
Statement of Functional Expenses
Year Ended December 31, 2014

	Program Services	Supporting Services			Total
		Management And General	Fund Raising	Total Supporting Services	
<u>Personnel costs:</u>					
Salaries and wages	\$ 97,094	7,997	5,331	13,328	110,442
Payroll taxes	8,438	699	466	1,165	9,603
Benefits	<u>6,734</u>	<u>1,347</u>	<u>898</u>	<u>2,245</u>	<u>8,979</u>
Total personnel costs	<u>112,266</u>	<u>10,043</u>	<u>6,695</u>	<u>16,738</u>	<u>129,004</u>
<u>Operating costs:</u>					
Day Care expenses	23,796	-	-	-	23,796
Day Center expenses	999	-	-	-	999
Advertising	1,087	-	-	-	1,087
Communications	9,224	-	-	-	9,224
Dues and subscriptions	-	5,198	-	5,198	5,198
Insurance	6,492	722	-	722	7,214
Vehicle	3,174	-	-	-	3,174
Repairs and maintenance	29,641	-	-	-	29,641
Meals	-	176	-	176	176
Rent	1,368	10,951	1,369	12,320	13,688
Professional fees	868	7,812	-	7,812	8,680
Utilities	19,696	790	-	790	20,486
Supplies	1,266	141	-	141	1,407
Guest services	7,760	-	-	-	7,760
Printing and reproduction	62	556	-	556	618
Travel and training	36	1,583	-	1,583	1,619
Interest	-	18,245	-	18,245	18,245
Bank charges	-	640	-	640	640
Miscellaneous	878	1,828	-	1,828	2,706
Special events	<u>-</u>	<u>-</u>	<u>17,295</u>	<u>17,295</u>	<u>17,295</u>
Total expenses before depreciation	<u>106,347</u>	<u>48,642</u>	<u>18,664</u>	<u>67,306</u>	<u>173,653</u>
<u>Other expenses:</u>					
Depreciation	<u>18,523</u>	<u>2,058</u>	<u>-</u>	<u>2,058</u>	<u>20,581</u>
Total expenses	\$ <u>237,136</u>	<u>60,743</u>	<u>25,359</u>	<u>86,102</u>	<u>323,238</u>

See accompanying notes to financial statements

FAMILY PROMISE OF MIDLAND, TEXAS, INC.
Statement of Functional Expenses
Year Ended December 31, 2013

	Program Services	Supporting Services			Total
		Management And General	Fund Raising	Total Supporting Services	
<u>Personnel costs:</u>					
Salaries and wages	\$ 71,565	4,004	4,004	8,008	79,573
Payroll taxes	5,556	306	306	612	6,168
Benefits	<u>4,800</u>	<u>600</u>	<u>600</u>	<u>1,200</u>	<u>6,000</u>
Total personnel costs	<u>81,921</u>	<u>4,910</u>	<u>4,910</u>	<u>9,820</u>	<u>91,741</u>
<u>Operating costs:</u>					
Day Care expenses	13,057	-	-	-	13,057
Day Center expenses	1,621	-	-	-	1,621
Advertising	493	-	-	-	493
Communications	282	22	22	44	326
Dues and subscriptions	-	3,152	-	3,152	3,152
Insurance	7,147	794	-	794	7,941
Vehicle	4,299	-	-	-	4,299
Repairs and maintenance	13,726	994	-	994	14,720
Meals	-	54	-	54	54
Professional fees	240	14,310	-	14,310	14,550
Utilities	6,445	716	-	716	7,161
Supplies	895	99	-	99	994
Guest services	5,161	-	-	-	5,161
Printing and reproduction	65	585	-	585	650
Family Promise Odessa	4,000	-	-	-	4,000
Bank charges	-	973	-	973	973
Miscellaneous	1,134	528	-	528	1,662
Special events	<u>-</u>	<u>-</u>	<u>12,645</u>	<u>12,645</u>	<u>12,645</u>
Total expenses before depreciation	<u>140,486</u>	<u>27,137</u>	<u>17,577</u>	<u>44,714</u>	<u>185,200</u>
<u>Other expenses:</u>					
Depreciation	<u>8,886</u>	<u>987</u>	<u>-</u>	<u>987</u>	<u>9,873</u>
Total expenses	\$ <u>149,372</u>	<u>28,124</u>	<u>17,577</u>	<u>45,701</u>	<u>195,073</u>

See accompanying notes to financial statements

FAMILY PROMISE OF MIDLAND, TEXAS, INC.

Statements of Cash Flows

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 101,587	177,125
Add items not requiring cash:		
Depreciation	20,581	9,873
Property donated in-kind	(21,000)	-
(Increase) decrease in receivables	-	1,342
(Increase) decrease in prepaids	(3,843)	1,668
Increase (decrease) in accounts payable	1,460	2,223
Increase (decrease) in accrued payroll and payroll liabilities	859	1,058
Increase (decrease) in program fee deposit	<u>2,650</u>	<u>-</u>
Net cash provided by operating activities	<u>102,294</u>	<u>193,289</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment, net	(36,499)	(880)
Net cash used in investing activities	<u>(36,499)</u>	<u>(880)</u>
Cash flows from financing activities:		
Payments made on notes payable	(60,054)	<u>-</u>
Net cash used in financing activities	<u>(60,054)</u>	<u>-</u>
Net increase in cash	5,741	192,409
Cash, beginning of year	<u>274,457</u>	<u>82,048</u>
Cash, end of year	\$ <u>280,198</u>	<u>274,457</u>
 <u>Non-cash Investing and Financing activities</u>		
Property acquired through issuance of notes payable	\$ <u>600,532</u>	<u>-</u>

See accompanying notes to financial statement.

FAMILY PROMISE OF MIDLAND, TEXAS, INC.

Notes to Financial Statements

December 31, 2014 and 2013

(1) Summary of Significant Accounting Policies

Organization

Family Promise of Midland, Texas, Inc., (the Organization) is a non-profit organization whose mission is to end homelessness - one family at a time. The Organization provides shelter, meals, and support services to families without homes while offering a cost-efficient, effective, and replicable community response to family homelessness.

Through the Interfaith Hospitality Network (IHN) guest families rotate weekly to one of the minimum of thirteen host congregations, who provide lodging and meals for the week. During the day, the guest families are transported to a day center operated by the Organization. At the Day Center, if not employed, guests pursue employment, tend to pre-school children and do laundry. Guests also receive case management services at the Day Center. Guests who are employed travel to their place of employment, while school age children attend school.

Guest families who have participated in the IHN and are in need of continued rental subsidy, additional support and case management services can apply for the Families Forward Transitional Housing Program. This program serves to equip families to become self-sufficient and independent by providing living accommodations at deeply discounted rental rates, while the families work to become self-sustaining through the program. Families may participate in the program for up to twenty-four months.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis. Revenues are recognized when earned or contributed and expenses are recognized when incurred.

Net Assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the financial position and activities of the Organization are reported according to three classes of net assets:

FAMILY PROMISE OF MIDLAND, TEXAS, INC.

Notes to Financial Statements

December 31, 2014 and 2013

(1) Summary of Significant Accounting Policies, continued

Net Assets, continued

- Unrestricted net assets include unrestricted resources representing the portion of expendable funds that is available for support of operations.
- Temporarily restricted net assets represent resources that are restricted by donors for specific purposes or for use in future periods.
- Permanently restricted net assets represent non-expendable funds consisting of donor restricted endowment principal.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. There was no unrelated business income during the years ended December 31, 2014 and 2013.

The Organization has adopted the provisions of FASB ASC 740-10-25, which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include any uncertain tax positions. The Organization believes it is no longer subject to income tax examinations for years prior to 2011.

Property, Plant and Equipment

Property, plant and equipment is recorded, at cost, as of the date of acquisition or at the fair market value at the date of donation. Depreciation charged to expense is provided over the estimated useful lives (ranging from three to seven years) of the respective assets based upon the straight-line method.

FAMILY PROMISE OF MIDLAND, TEXAS, INC.

Notes to Financial Statements

December 31, 2014 and 2013

(1) Summary of Significant Accounting Policies, continued

Contributions

Contributions are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional and non-reciprocal.

The Organization reports gifts of cash or other assets, received with donor stipulations that limit the use of the donated gift, as unrestricted support if the donor restrictions are satisfied within the same fiscal year the gift is received. If the donor restrictions are not fully satisfied by the end of the fiscal year in which the gift is received, the entire value of the gift is recorded as temporarily restricted net assets and only that portion expended for its intended purpose or satisfying a time restriction is reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports in-kind gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service or the gifts of cash are expended for the purpose intended.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers demand deposits, money market accounts and certificates of deposit purchased with an original maturity of three months or less to be cash equivalents.

FAMILY PROMISE OF MIDLAND, TEXAS, INC.

Notes to Financial Statements

December 31, 2014 and 2013

(1) Summary of Significant Accounting Policies, continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Property and Equipment

At December 31, 2014 and 2013, equipment and furnishings cost and related depreciation are summarized as follows:

	2014		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Depreciated Cost</u>
Land	\$ 40,908	-	40,908
Building and improvements	750,383	23,772	726,611
Furniture and equipment	13,049	6,038	7,011
Vehicles	<u>20,465</u>	<u>16,031</u>	<u>4,434</u>
Total	\$ <u>824,805</u>	<u>45,841</u>	<u>778,964</u>
	2013		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Depreciated Cost</u>
Land	\$ 18,720	-	18,720
Building and improvements	119,116	9,710	109,406
Furniture and equipment	8,473	3,612	4,861
Vehicles	<u>20,465</u>	<u>11,938</u>	<u>8,527</u>
Total	\$ <u>166,774</u>	<u>25,260</u>	<u>141,514</u>

FAMILY PROMISE OF MIDLAND, TEXAS, INC.

Notes to Financial Statements

December 31, 2014 and 2013

(3) Operating Lease Commitment

The Organization has an operating lease for its administrative office facilities. The following is a schedule of future minimum rental payments:

Year Ending December 31:	
2015	\$ 14,284
2016	14,284
2017	14,284
2018	<u>14,284</u>

Total future minimum rental payments \$ 57,136

Total rent expense for the year ended December 31, 2014 aggregated \$13,688. There was no rent expense during the year ended December 31, 2013.

(4) Subsequent Events

Subsequent events have been evaluated by management through November 17, 2015, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the financial statements.

(5) Community Initiative Agreement

Effective January 1, 2014, the Organization entered into a Community Initiative Agreement with United Way of Midland, Inc. (UWM) whereby UWM would provide up to \$1,000,000, as approved by the UWM board, over three years to fund, in such a manner as directed by the UWM board, a transitional housing community initiative known as Families Forward. The agreement contains various covenants to be followed by the Organization and UWM and the agreement expires on December 31, 2018 if not terminated earlier by either party.

FAMILY PROMISE OF MIDLAND, TEXAS, INC.

Notes to Financial Statements

December 31, 2014 and 2013

(6) Concentrations

The Organization maintains its cash balances in a bank and is insured within limits of the FDIC. At certain times during the year, cash balances may exceed the insured amounts. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk or cash and cash equivalents.

(7) Notes Payable

During 2014, the Organization entered into three secured, interest-free promissory notes with a local not for profit organization in conjunction with the Community Initiative Agreement (Note 5). The notes are payable in quarterly installments of \$30,027 through June 30, 2019, the maturity date. The notes contain various covenants and events of default with which management believes the Organization is in compliance. The notes are secured by deeds of trust covering certain property of the Organization. The contribution inherent in the interest-free notes has been recorded at fair value, based on an imputed interest rate of 5 percent, which is the Organization's bank borrowing rate. Contribution revenue and interest expense of \$18,245 have been reflected in the Statement of Activities.

Future maturities of notes payable are as follows:

<u>Year ending December 31,</u>	
2015	\$ 120,108
2016	120,108
2017	120,108
2018	120,108
2019	<u>60,046</u>
	\$ <u>540,478</u>