

SOULFORCE, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021



SOULFORCE, INC.

Table of Contents

	<u>Page No.</u>
Independent Auditor's Report	1
<i>Financial Statements</i>	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



Independent Auditor's Report

To the Board of Directors
Soulforce, Inc.
Abilene, Texas

Opinion

We have audited the accompanying financial statements of Soulforce, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Soulforce, Inc. as of December 31, 2021, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Soulforce, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management 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 of America; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Soulforce, Inc.'s ability to continue as a going concern within one year after the June 3, 2022 that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Soulforce, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Soulforce, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
June 3, 2022

SOULFORCE, INC.
Statement of Financial Position
December 31, 2021

Assets

Current Assets:

Cash and cash equivalents	\$ 669,427
Cash and cash equivalents - restricted for REAP	225,031
Grants and contributions receivable	107,612
Prepaid expenses and other assets	<u>3,477</u>
Total current assets	<u>1,005,547</u>

Property and equipment, net	<u>15,553</u>
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Noncurrent Assets:

Loan receivable	<u>143,726</u>
Total noncurrent assets	<u>143,726</u>

Total assets	<u><u>\$ 1,164,826</u></u>
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Liabilities and Net Assets

Current Liabilities:

Accounts payable and accrued liabilities	\$ 91,021
Accrued paid time off	<u>17,064</u>
Total current liabilities	<u>108,085</u>

Net Assets:

Without donor restrictions	471,558
With donor restrictions	<u>585,183</u>
Total net assets	<u>1,056,741</u>

Total liabilities and net assets	<u><u>\$ 1,164,826</u></u>
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SOULFORCE, INC.
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	2021 Total
Revenue:			
Foundation grants	\$ 35,500	\$ 500,000	\$ 535,500
Contributions	276,996	47,503	324,499
Paycheck Protection Program	47,574	-	47,574
In-kind contributions	-	386,806	386,806
Other income	1,616	-	1,616
Net assets released from restriction	1,078,392	(1,078,392)	-
Total revenue	<u>1,440,078</u>	<u>(144,083)</u>	<u>1,295,995</u>
Expenses:			
Program	1,129,888	-	1,129,888
Business management and general	64,077	-	64,077
Fundraising	46,976	-	46,976
Total expenses	<u>1,240,941</u>	<u>-</u>	<u>1,240,941</u>
Changes in net assets	<u>199,137</u>	<u>(144,083)</u>	<u>55,054</u>
Net assets - beginning of year	<u>272,421</u>	<u>729,266</u>	<u>1,001,687</u>
Net assets - end of year	<u>\$ 471,558</u>	<u>\$ 585,183</u>	<u>\$ 1,056,741</u>

SOULFORCE, INC.
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services					Total Program Services	Fundraising Services	Business Management & General	2021 Total
	Political & Theological Education	Research & Strategy	Spiritual Reclaim & Community Health	REAP - Campaigns & Direct Action	Other - Campaigns & Direct Action				
Expenses:									
Personnel expenses	\$ 78,692	\$ 53,322	\$ 86,250	\$ 20,052	\$ 894	\$ 239,210	\$ 40,009	\$ 35,632	\$ 314,851
Contracted services	5,948	419	11,716	2,185	7	20,275	-	19,555	39,830
Legal fees - in-kind	-	-	-	386,806	-	386,806	-	-	386,806
Office expenses	1,137	399	1,252	-	231	3,019	4,517	1,478	9,014
Occupancy expenses	-	-	-	-	-	-	-	600	600
Travel expenses	2,978	982	2,576	178	12	6,726	969	67	7,762
Grants to others	-	-	-	463,472	-	463,472	-	-	463,472
Depreciation	-	-	-	-	-	-	-	234	234
Other operating expenses	2,684	1,386	4,472	1,822	16	10,380	1,481	6,511	18,372
Total expenses	<u>\$ 91,439</u>	<u>\$ 56,508</u>	<u>\$ 106,266</u>	<u>\$ 874,515</u>	<u>\$ 1,160</u>	<u>\$ 1,129,888</u>	<u>\$ 46,976</u>	<u>\$ 64,077</u>	<u>\$ 1,240,941</u>

SOULFORCE, INC.
Statement of Cash Flows
Year Ended December 31, 2021

Cash flows from operating activities:	
Change in net assets	\$ 55,054
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	234
(Increase) decrease in:	
Grants and contributions receivable	(38,635)
Prepaid expenses and other assets	(751)
Loan receivable	(143,726)
Increase (decrease) in:	
Accounts payable and accrued liabilities	76,584
Accrued paid time off	6,580
Net cash used in operating activities:	<u>(44,660)</u>
Cash flows from investing activities:	
Acquisition of property and equipment	<u>(15,318)</u>
Net cash used in investing activities	<u>(15,318)</u>
Net decrease in cash and cash equivalents	(59,978)
Cash, cash equivalents, and restricted cash at beginning of year	<u>954,436</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 894,458</u>

NOTE 1 -NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING

Nature of Organization

Soulforce, Inc. (the “Organization”) is a nonprofit corporation organized in 1997. The Organization's mission is to end the religious and political oppression of LGBTQI people by breaking open the ideologies of Christian Supremacy and healing our communities’ spirits from Spiritual Violence.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Net Assets

For financial reporting purposes, the Organization reports its net assets in the following categories in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic 958, *Not-for-Profit Entities*, net assets without donor restrictions and net assets with donor restrictions. Each category is described below:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions which will be met either by action of the Organization and/or the passage of time. Donor restricted funds may only be utilized in accordance with the purposes established by the donor of such funds.

Use of Estimates

The preparation of financial statements 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 June 3, 2022 of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include all cash accounts and highly liquid investments with an original maturity of three months or less.

Grants and Contributions Receivable

Grants and contributions receivable are comprised of amounts due to the Organization primarily related to multi-year grants awarded prior to year-end. Management believes all amounts are fully collectible and therefore, no allowance is recorded for uncollectible amounts.

Property and Equipment

It is the Organization's policy to capitalize property and equipment with a cost in excess of \$500. Lesser amounts are expensed. Property and equipment are carried at cost and are depreciated using the straight line method over the estimated useful lives of the assets.

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Paid Time Off

Employees accrue paid time off at a set rate per hours worked, which is based on employment status (nonexempt or exempt) and length of employment with the Organization. Up to 135 hours of paid time off can be accrued and carried forward from one year to the next.

In-kind Contributions

Contributed professional services are recorded at their estimated fair value at the June 3, 2022 of donation. The Organization reports in-kind contributions as revenue without donor restrictions. Contributed services for 2021 consisted of donated legal fees to the REAP Project.

Revenue Recognition

Revenue consists primarily of foundation grants and other contributions. Unconditional and non-reciprocal grants and contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restriction. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities and changes in net assets as net assets released from restrictions. Conditional promises are not recognized until the conditions upon which they depend are substantially met. The Organization did not receive any contributions that were conditional during the year ended December 31, 2021.

Functional Allocation of Expense

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 program, fundraising, and business management services.

Directly identifiable expenses are charged to specific programs or services. Expenses related to more than one function are charged to program, fundraising, or business management services on the following basis:

- Personnel expenses are allocated based on time and effort.
- Other expenses are allocated based on the estimated cost incurred by each function.

Fiscal Sponsorship

The Organization entered into a fiscal sponsorship agreement with the Religious Exemption Accountability Project (REAP) in 2021. REAP's activities are consistent with the mission of the Organization. REAP has two initiatives: 1) public interest litigation and, 2) public education activities. The Organization has variance power over the fiscal sponsorship contributions and grants it receives (see Note 9). The fiscal sponsorship contributions and grants received by the Organization are recognized as net assets with donor restrictions. The expenditures incurred for fiscal sponsor programs are recognized as expenses by the Organization and the corresponding net assets are released from restrictions. The Organization uses a restricted fund to track REAP activity.

SOULFORCE, INC.
Notes to Financial Statements

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

It is the Organization's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified for 2021. Any changes in the amount of a tax position will be recognized in the period the change occurs.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure through June 3, 2022, which is the June 3, 2022 the financial statements were available to be issued.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Organization occasionally maintains deposits in excess of federally insured limits. The Organization maintains its cash balances in reputable financial institutions in the United States of American and accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each financial institution. At December 31, 2021, the Organization's uninsured cash balances were \$644,458.

NOTE 3 - LOAN RECEIVABLE

In August 2021, the Organization entered into a loan agreement associated with a REAP initiative. The Organization agreed to loan a vendor up to \$250,000 to produce a documentary film. The loan carries a 0% interest rate and matures on December 31, 2023 at which point it is due in full. At December 31, 2021, the loan had a balance of \$143,726. Monies from the restricted REAP fund were and will be used for loan draws.

As part of the loan agreement if the borrower is unable to raise funds to repay the loan, the loan will be forgiven in full. The Organization has sole discretion over loan forgiveness.

SOULFORCE, INC.
Notes to Financial Statements

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2021:

Furniture, fixtures and equipment	\$ 703
Website	5,904
Intellectual Property	9,414
	<u>16,021</u>
Less accumulated depreciation	(468)
	<u>\$ 15,553</u>

Depreciation expense totaled \$234 and is included on the Statement of Functional Expenses.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31, 2021:

Religious Exemption Accountability Project (REAP)	\$ 225,031
Uniting the Borderlands	230,152
2022 General operating support	120,000
2022 Audit services	10,000
	<u>\$ 585,183</u>

Net assets released from donor restrictions were as follows for the year ended December 31, 2021:

Religious Exemption Accountability Project (REAP)	\$ 463,472
Religious Exemption Accountability Project (REAP) - In-kind Legal Fees	386,806
Uniting the Borderlands	19,848
2021 General operating support	180,000
Rural Faith & Justice Committee Project	18,266
Teologia Sin Verguenza (TSV)	10,000
	<u>\$ 1,078,392</u>

NOTE 6 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Included in net assets without donor restrictions are amounts management and the Board of Directors have designated for certain purposes.

The following designations of net assets without donor restrictions as of December 31, 2021 represent management's estimates that are subject to change based on perceived operating conditions and situations.

Rural Faith & Justice Committee Project	<u>\$ 18,266</u>
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SOULFORCE, INC.
Notes to Financial Statements

NOTE 7 - PAYCHECK PROTECTION PROGRAM LOAN

On March 27, 2020, the federal government passed the Coronavirus Aid, Relief and Economic Security (“CARES”) Act that created up to \$349 billion in forgivable loans (“Paycheck Protection Program”) to businesses and not-for-profit organizations to pay employees during the COVID-19 pandemic. If the businesses and not-for-profit organizations used the Payroll Protection Program (PPP) loan funds to cover payroll costs, mortgage interest, rent and utility costs over an 8 or 24 week period after the loan was made and maintained employee and compensation level, they can request forgiveness of the loan. In accordance with ASC 958-605, *Not-for-Profit Entities, Revenue Recognition*, the forgiveness of the PPP loan is considered to be a nonreciprocal or non-exchange transaction conditional contribution, which is recognized as income when the conditions are substantially met. The Organization obtained a PPP loan in March 2021 for \$47,574.

At December 31, 2021, management believed Soulforce, Inc. substantially met the necessary conditions associated with the PPP to qualify for loan forgiveness in the amount of \$47,574. Therefore, Soulforce, Inc. recognized this portion of the loan proceeds as income in the accompanying Statement of Activities and Changes in Net Assets. As of December 31, 2021, there are no remaining PPP loan balances on the Statement of Financial Position.

NOTE 8 - LIQUIDITY

The Organization is substantially supported by contributions and grants, a portion of which are restricted by the donors as to purpose or time. Because a donor's restriction requires resources to be used in a particular manner and/or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, a portion of financial assets may not be available for expenditure within one year. In order to ensure its financial assets are available for general expenditures within one year, the Organization's Board of Directors approves the annual budget and reviews financial activity regularly.

The information below reflects the Organization's financial assets, reduced by amounts that are not available for general use within one year:

Total cash and cash equivalents	\$ 894,458
Grants and contributions receivable due within one year	107,612
Total financial assets	<u>1,002,070</u>
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions	(585,183)
Board-designated funds	<u>(18,266)</u>
	<u>(603,449)</u>
Financial assets available for general expenditures within one year	<u>\$ 398,621</u>

SOULFORCE, INC.
Notes to Financial Statements

NOTE 9 - FISCAL SPONSORSHIP

As described in Note 2, the Organization is a fiscal sponsor for the Religious Exemption Accountability Project (REAP). The Organization accepts grants and tax deductible contributions on behalf of REAP and administers the expenditures of those funds. As of December 31, 2021, net assets with donor restrictions held for fiscal sponsorship was \$225,031.

If at the end of the sponsorship period, REAP has not become a 501(c)(3), and there are unspent funds, REAP must identify another fiscal sponsor. Otherwise any unused funds will be retained by the Organization and used to support the Organization's tax-exempt mission.

In order to cover its cost with respect to management services provided to the sponsored initiative, the Organization charges a service fee ranging from 7-12% of the value of any grants and contributions it receives, depending on the nature of the donation and level of reporting requirements. The service fee is deducted at the time a contribution or grant is deposited and recorded as other contributions on the Statement of Activities and Changes in Net Assets.

The following is a summary of fiscal sponsor activity as of and for the year ended December 31, 2021:

Fiscal sponsorship included as part of net assets with donor restrictions, beginning of year	<u>\$ 651,000</u>
Add: Grants and contributions for fiscal sponsorship	37,503
Add: In-kind donations	386,806
Less: Net assets released from donor restrictions for fiscal sponsorship	<u>(850,278)</u>
Net decrease in fiscal sponsorship funds	<u>(425,969)</u>
Fiscal sponsorship included as part of net assets with donor restrictions, end of year	<u><u>\$ 225,031</u></u>

NOTE 10 - RETIREMENT PLAN

In December 2021, the Organization implemented a Simple IRA retirement plan. The plan provides for a 3% match on elective deferrals for employees reasonably expected to receive at least \$5,000.