



SHARPE  
PATELCPA

# SOULFORCE, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022



## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

We have audited the accompanying financial statements of Soulforce, Inc., a nonprofit organization (The Organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits 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 the 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.

### **Responsibilities of Management 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, and for 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 date 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 generally accepted auditing standards 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 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 auditing 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.

*Sharpe Patel PLLC*

Raleigh, North Carolina  
July 5, 2024

**SOULFORCE, INC.**  
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**SOULFORCE, INC.**  
**Statements of Financial Position**  
**December 31, 2023 and 2022**

	2023	2022
<b>ASSETS</b>		<i>as restated</i>
Current assets:		
Cash and cash equivalents	\$ 1,067,424	\$ 708,343
Grants and contributions receivable	6,761	528,848
Loan receivable	-	143,726
Prepaid expenses and other assets	2,952	2,106
Total current assets	1,077,137	1,383,023
Property and equipment, net	1,969	8,644
Non-current assets:		
Other assets	8,603	-
Total non-current assets	8,603	-
Total assets	\$ 1,087,709	\$ 1,391,667
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 19,022	\$ 27,307
Accrued paid time off	24,868	14,344
Other accrued expenses	323	-
Total current liabilities	44,213	41,651
Net assets:		
With donor restriction	143,758	751,689
Without donor restrictions	899,738	598,327
Total net assets	1,043,496	1,350,016
Total liabilities and net assets	\$ 1,087,709	\$ 1,391,667

The accompanying notes to the financial statements are an integral part of these statements.

**SOULFORCE, INC.**  
**Statement of Activities**  
**For the Year Ended December 31, 2023**  
**(With Comparative Totals for the Year Ended December 31, 2022)**

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022 <i>as restated</i>
<b>REVENUE</b>				
Foundation grants	\$ 511,743	\$ 21,500	\$ 533,243	\$ 669,331
Contributions	321,493	-	321,493	424,476
Fiscal sponsorship fee	52,000	-	52,000	-
In-kind contributions	-	32,438	32,438	80,294
Interest income	4	-	4	5,223
Other income	1,521	-	1,521	1,700
Net assets released from restriction	661,869	(661,869)	-	-
<b>Total revenue</b>	<b>1,548,630</b>	<b>(607,931)</b>	<b>940,699</b>	<b>1,181,024</b>
<b>EXPENSES</b>				
Program	1,091,218	-	1,091,218	715,081
Business management and general	60,444	-	60,444	122,232
Fundraising	95,557	-	95,557	50,436
<b>Total expenses</b>	<b>1,247,219</b>	<b>-</b>	<b>1,247,219</b>	<b>887,749</b>
Change in net assets	301,411	(607,931)	(306,520)	293,275
Net assets at beginning of year	598,327	751,689	1,350,016	1,056,741
Net assets at end of year	<u>\$ 899,738</u>	<u>\$ 143,758</u>	<u>\$ 1,043,496</u>	<u>\$ 1,350,016</u>

The accompanying notes to the financial statements are an integral part of these statements.

**SOULFORCE, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2023**  
**(With Comparative Totals for the Year Ended December 31, 2022)**

	2023			2022	
	Total Program Services	Fundraising Services	Business Management & General	Total Expenses	Total Expenses
Salaries and wages	\$ 210,069	\$ 25,915	\$ 19,746	\$ 255,730	\$ 318,211
Payroll tax expense	18,097	2,370	1,682	22,149	26,931
Employee benefits	14,165	2,839	2,421	19,425	35,921
Retirement match	6,098	789	573	7,460	-
Payroll & benefits fees	-	-	3,204	3,204	-
Contracted services	167,242	52,164	22,677	242,083	251,363
Donated services	32,438	-	-	32,438	-
Office expenses	2,231	6,136	703	9,070	12,441
Occupancy expenses	-	-	716	716	671
Travel expenses	52,468	3,267	3,151	58,886	41,481
Grants to others	392,414	29	16	392,459	174,795
Depreciation	6,675	-	-	6,675	6,909
Other operating expenses	189,321	2,048	5,555	196,924	19,026
	<u>1,091,218</u>	<u>95,557</u>	<u>60,444</u>	<u>1,247,219</u>	<u>887,749</u>
Expenses as reported on the Statement of Activities	<u>1,091,218</u>	<u>95,557</u>	<u>60,444</u>	<u>1,247,219</u>	<u>887,749</u>
Total expenses	<u>\$ 1,091,218</u>	<u>\$ 95,557</u>	<u>\$ 60,444</u>	<u>\$ 1,247,219</u>	<u>\$ 887,749</u>

The accompanying notes to the financial statements are an integral part of these statements.

**SOULFORCE, INC.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		<i>as restated</i>
Change in net assets	\$ (306,520)	\$ 293,275
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	6,675	6,909
Forgiveness of loan	176,454	-
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	522,087	(421,236)
Prepaid expenses	(846)	1,371
Other assets	(8,603)	-
Accounts payable and accrued liabilities	(8,285)	(78,696)
Accrued paid time off	10,524	12,262
Other accrued expenses	323	-
Net cash provided (used) by operating activities	391,809	(186,115)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments for amounts loaned to recipient	(32,728)	-
Net cash provided (used) by financing activities	(32,728)	-
Net increase (decrease) in cash and cash equivalents	359,081	(186,115)
Cash and cash equivalents, beginning of year	708,343	894,458
Cash and cash equivalents, end of year	\$ 1,067,424	\$ 708,343

The accompanying notes to the financial statements are an integral part of these statements.

**SOULFORCE, INC.**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

**1. NATURE OF THE ORGANIZATION**

Nature of the 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 is accounting conforms to accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization has adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without restrictions” and “net assets with restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) 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, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Net assets and revenue are classified based on the existence or absence of donor- imposed restrictions. Accordingly, the net assets of the Organization and charges therein, are classified and reported as follows:

**Net assets without restrictions** – Consists of amounts that are available for use in carrying out the supporting activities of the Organization and not subject to donor-imposed stipulations. Net assets without restrictions totaled \$899,738 and \$598,327 (*as restated*) as of December 31, 2023, and 2022 respectively.

**Net assets with restrictions** – Net assets that are contributions subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the actions of the Organization and /or the passage of time. Net assets with restrictions totaled \$143,758 and \$751,689 (*as restated*) as of December 31, 2023, and 2022 respectively.

Use of Estimates and Assumptions

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

**SOULFORCE, INC.**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash in the bank and all cash held on hand to be cash and cash equivalents with an original maturity date 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 \$5,000 and an expected useful life of more than one year at the date of acquisition. 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.

Accrued Paid Time Off

Employees accrued 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 as of the date of donation. The Organization reports in-kind contributions as revenue without donor restrictions. The majority of contributed services for 2023 and 2022 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 years ended December 31, 2023 and 2022.

Contributions

Contributions and grants received are recorded as support with or without restrictions depending on the existence and/or nature of any donor/grantor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due more than one year in the future are reported at the present value of their net realizable value using a risk adjusted discount rate. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Restrictions that are met in the same period as receipt are reported as support without restrictions.

**SOULFORCE, INC.**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 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.

Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) on its exempt function income and is classified by the IRS as a publicly supported organization. The Organization is not aware of any unrelated business income for the years ended December 31, 2023 and 2022.

The Organization evaluates any uncertain tax positions. 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. Management believes there are no such positions as of December 31, 2023 and 2022.

**3. 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 Corporations up to \$250,000 at each financial institution. At December 31, 2023 and 2022, the Organization's cash deposits exceed the FDIC insured limits by approximately \$821,699 and \$458,343, respectively.

**SOULFORCE, INC.**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

**4. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Furniture, fixtures, and equipment	\$ 703	703
Website	5,904	5,904
Intellectual Property	9,414	9,414
Total property and equipment	<u>16,021</u>	<u>16,021</u>
Less: accumulated depreciation	<u>(14,052)</u>	<u>(7,377)</u>
Total property and equipment, net	<u>\$ 1,969</u>	<u>\$ 8,644</u>

Depreciation expense was \$6,675 and \$6,909 for the years ended December 31, 2023 and 2022, respectively.

**5. NET ASSETS WITH RESTRICTIONS**

Net assets with restrictions are those stipulated by donors for specific operating purposes, those not currently available for use until commitments regarding their use have been fulfilled and are composed of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<i>Subject to expenditures for a specific purpose or passage of time</i>		
Religious Exemption Accountability Project (REAP)	\$ 68,758	\$ 601,689
Uniting the Borderlands	<u>75,000</u>	<u>150,000</u>
Total net assets with restrictions	<u>\$ 143,758</u>	<u>\$ 751,689</u>

During the year December 31, 2023 and 2022, net assets released from restrictions were as follows:

	<u>2023</u>	<u>2022</u>
<i>Subject to expenditures for a specific purpose or passage of time</i>		
Religious Exemption Accountability Project (REAP)	\$ 532,930	\$ -
Uniting the Borderlands	75,000	80,152
Other	53,939	130,000
Total net assets with restrictions released	<u>\$ 661,869</u>	<u>\$ 210,152</u>

**SOULFORCE, INC.**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

**6. RETIREMENT PLAN**

401(k) 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.

**7. LIQUIDITY AND AVAILABILITY OF FUNDS**

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:

	2023	2022
Cash	\$ 1,067,424	\$ 708,343
Loan receivable	-	143,726
Accounts receivable	6,761	528,848
Less: assets with restriction	(143,758)	(751,689)
Less: accounts payable	(19,022)	(27,307)
Less: accrued expenses	(25,191)	(14,344)
Total financial assets available to meet general expenditures and liabilities within the next 12 months	\$ 886,214	\$ 587,577

At December 31, 2023 and 2022, all net assets without restrictions are available to meet cash needs for general expenditures of the Organization with one year. Excess funds are available in the Organization's investment account consisting of certificates of deposit, if needed. Early redemption of the certificates of deposit may result in the Organization incurring nominal monetary penalties.

**8. 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, 2023 and 2022, net assets with donor restrictions held for fiscal sponsorship was \$68,758 and \$601,689 (*as restated*), respectively.

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.

**SOULFORCE, INC.**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

**8. FISCAL SPONSORSHIP (Continued)**

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, 2023 and 2022:

	2023	2022 <i>(as restated)</i>
Fiscal sponsorship included as part of net assets with donor restrictions, beginning of year	\$ 601,689	\$ -
Add: Grants and contributions for fiscal sponsorship	-	526,157
Add: In-kind donations	32,438	75,532
Less: Net assets released from donor restrictions for fiscal sponsorship	(565,369)	-
Net decrease in fiscal sponsorship funds	(532,931)	601,689
Fiscal sponsorship included as part of net assets with donor restrictions, end of year	\$ 68,758	\$ 601,689

**9. PRIOR PERIOD RESTATEMENT**

The Organization discovered during the current year that two corrections were required to the previously stated financial statements to adjust the reporting of a grant received in a previous year and the total net assets with donor restriction balance. The first adjustment resulted in an increase of accounts receivable and net assets without donor restrictions of \$100,000. The second adjustment resulted in an increase in net assets with donor restriction and a decrease in net assets without donor restriction of \$358,822.

**10. SUBSEQUENT EVENTS**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through July 5, 2024, which is the date the financial statements were available to be issued.