

GRACE LIKE RAIN, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Grace Like Rain, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grace Like Rain, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

VHA Accountants, PLLC

Flower Mound, TX
March 2, 2022

Grace Like Rain, Inc.
Statement of Financial Position
December 31, 2020

Assets

Current assets

Cash	\$ 31,519
Accounts receivable	9,153
Note receivable	20,000
Other current assets	500
Total current assets	<u>61,172</u>

Property and equipment

Construction in progress	51,390
Land	3,808,600
Total property and equipment	<u>3,859,990</u>

Total assets

\$ 3,921,162

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 13,996
Sales tax payable	18
Accrued expenses	7,245
Total current liabilities	<u>21,259</u>

Long-term liabilities

Development grant payable	47,795
Total long-term liabilities	<u>47,795</u>

Total liabilities

69,054

Net assets

Without donor restrictions	3,837,108
With donor restrictions	15,000
Total net assets	<u>3,852,108</u>

Total liabilities and net assets

\$ 3,921,162

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

Grace Like Rain, Inc.
Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions	\$ 703,120	\$ -	\$ 703,120
Merchandise sales	796	-	796
Less: cost of merchandise	(844)	-	(844)
Special events:			
Revenue	119,162	-	119,162
Expenses	(6,885)	-	(6,885)
Total revenue and support	815,349	-	815,349
Expenses			
Program services	682,076	-	682,076
Supporting services:			
Management and general	126,337	-	126,337
Fundraising	37,144	-	37,144
Total expenses	845,557	-	845,557
Change in net assets	(30,208)	-	(30,208)
Net assets at beginning of year	3,867,316	15,000	3,882,316
Net assets at end of year	\$ 3,837,108	\$ 15,000	\$ 3,852,108

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

Grace Like Rain, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Supporting Services			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 257,389	\$ 49,486	\$ -	\$ 306,875
Payroll taxes	19,433	3,736	-	23,169
Advertising and promotion	-	-	36,695	36,695
Accounting fees	-	13,500	-	13,500
Family expenses	325,234	-	-	325,234
Insurance	-	9,171	-	9,171
Office expense	29,220	26,574	449	56,243
Occupancy expense	50,800	23,870	-	74,670
	\$ 682,076	\$ 126,337	\$ 37,144	\$ 845,557

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

Grace Like Rain, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2020

Cash flows from operating activities

Change in net assets	\$ (30,208)
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in assets:	
Accounts receivable	(9,153)
Prepaid expenses	3,810
Other current assets	(500)
Increase (decrease) in liabilities:	
Accounts payable	13,996
Development grant payable	47,795
Sales tax payable	18
Accrued expenses	1,347
Net cash provided by operating activities	27,105

Cash flows from investing activities

Issuance of note receivable	(30,000)
Payments received on note receivable	10,000
Additions to construction in progress	(51,390)
Net cash used in investing activities	(71,390)

Net decrease in cash

(44,285)

Cash at beginning of year

75,804

Cash at end of year

\$ 31,519

Supplemental disclosure of cash flow information

Interest paid	\$ -
Income taxes paid	\$ -

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

Note 1. Nature of activities

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

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

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

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

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

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

Note 2. Summary of significant accounting policies

Basis of presentation

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

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

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

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

Note 2. Summary of significant accounting policies, continued

Basis of presentation, continued

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

Use of estimates

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

Contributions

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

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

Cash and cash equivalents

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

Accounts receivable

Accounts receivable are carried at the original invoice amount less an estimate made for uncollectible receivables based on a review of all outstanding amounts on a periodic basis. An allowance for uncollectible receivables is maintained based on a percentage of past due receivables and management's estimate of collectability. Based on the Organization's collection history, management believes that no allowance for uncollectible receivables is necessary. Accounts receivable for the year ended December 31, 2020 was \$9,153.

Note 2. Summary of significant accounting policies, continued

Property and equipment

Property and equipment are carried at cost, or if donated, at fair value on the date of donation. Depreciation of property and equipment is calculated using the straight-line method for financial reporting purposes. Construction in progress represents site preparation and development costs for a housing and community development project.

Revenue recognition

On January 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2014-09 revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. The Organization's services that fall within the scope of ASC 606 are recognized as revenue as the Organization satisfies its obligation to the customer.

The Organization recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract
- Identify performance obligations
- Determine the transaction price
- Allocate the transaction price
- Recognize revenue

Analysis of various provisions of this standard resulted in no significant changes in the Organization's revenue recognition, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Income taxes

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

Accounting for uncertainty in income taxes

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

Note 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 the programs and supporting services benefited.

Advertising

Advertising costs are expensed as incurred. Advertising expenses were \$36,695 for the year ended December 31, 2020.

Risks and uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act (CARES Act)* was enacted to among other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization.

Note 3. Note receivable

During 2020, the Organization entered into a note receivable with a third party in the original amount of \$30,000. The note agreement did not state repayment terms and did not contain a required repayment date but contained a due on demand clause. The remaining balance of the note was paid in full in April 2021.

Note 4. Development grant payable

During 2020, the Organization received a Community Development Block Grant (CDBG) for the development of property owned by the Organization. Under the grant agreement, certain funds spent for the development of the property are reimbursable by the grant upon request. As of December 31, 2020, the Organization had received \$47,795 from the CDBG and the related revenue has been deferred until the completion of the development project per the terms of the grant agreement.

Grace Like Rain, Inc.
Notes to Financial Statements
December 31, 2020

Note 5. Special events

The Organization conducted five special events in 2020, including the annual gala, the spring carnival, the Women's Gathering, the golf tournament, and the RV raffle. These events raised a total of \$119,162 with related expenses of \$6,885.

Note 6. Liquidity and availability

Financial assets available for general expenditure within one year are as follows as of December 31, 2020:

Cash	\$	31,519
Accounts receivable		9,153
Note receivable		20,000
Other current assets		500
	\$	<u>61,172</u>

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

Note 7. Operating leases

The Organization is obligated on leases for office space with terms expiring between October 2021 and December 2022. Rent expense on operating leases included in the accompanying financial statements totaled \$72,165 for the year ended December 31, 2020 and are included in occupancy expense on the accompanying statement of activities. Future minimum rental payments for these leases for the years ended December 31, 2021 and 2022 are \$71,097 and \$33,924, respectively.

Note 8. Concentrations

Approximately 21% of the Organization's combined contributions were provided by one contributor during the year ended December 31, 2020.

Note 9. Subsequent events

The Organization has evaluated subsequent events through March 2, 2022, the date which the financial statements were available to be issued. In January 2021, the Organization obtained a line of credit with a bank which contained a \$150,000 borrowing capacity. The line of credit expired in January 2022.