



Grace Like Rain, Inc. dba Giving Grace

Financial Statements
December 31, 2022

Grace Like Rain, Inc. dba Giving Grace

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Independent Auditors' Report

To the Board of Directors of
Grace Like Rain, Inc. dba Giving Grace

Opinion

We have audited the accompanying financial statements of Grace Like Rain, Inc. dba Giving Grace (a nonprofit organization) (Organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, 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 the Organization as of December 31, 2022, and the change 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 (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization changed its method of accounting for its leases effective January 1, 2022 as required by the provisions of Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 the Organization'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 the Organization'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.

A handwritten signature in cursive script, reading "Sutton Frost Lang".

Arlington, Texas
July 21, 2023

A Limited Liability Partnership

Grace Like Rain, Inc. dba Giving Grace
Statement of Financial Position
December 31, 2022

Assets

Current assets:

Cash	\$ 160,088
Contributions receivable	25,970
Grants receivable	40,419
Other receivable	10,037
Prepaid expenses	7,167

Total current assets 243,681

Noncurrent assets:

Assets restricted for capital campaign (Note 3):

Cash	4,870
Construction in progress	10,130
Right-of-use asset - operating lease, net	72,949
Property	3,896,832

Total assets \$ 4,228,462

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 11,156
Accrued expenses	8,786
Refundable advances	219,472
Right-of-use liability - operating lease, current	37,743
Note payable, current	16,596

Total current liabilities 293,753

Noncurrent liabilities:

Right-of-use liability - operating lease, net	38,110
Note payable, net	60,229

Total noncurrent liabilities 98,339

Total liabilities 392,092

Net Assets:

Without donor restrictions	3,808,854
With donor restrictions	27,516

Total net assets 3,836,370

Total liabilities and net assets \$ 4,228,462

See notes to financial statements.

Grace Like Rain, Inc. dba Giving Grace
Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 281,726	\$ 35,000	\$ 316,726
Contributions of nonfinancial assets	28,016	-	28,016
Grants	409,128	-	409,128
Special events (net of direct costs of \$30,786)	71,464	-	71,464
Net assets released from restrictions	22,484	(22,484)	-
Total revenue and support	812,818	12,516	825,334
Expenses:			
Program services	522,110	-	522,110
Management and general	159,372	-	159,372
Fundraising	96,628	-	96,628
Total expenses	778,110	-	778,110
Operating income	34,708	12,516	47,224
Nonoperating loss:			
Loss on acquisition	(33,419)	-	(33,419)
Change in net assets	1,289	12,516	13,805
Net assets at beginning of year	3,807,565	15,000	3,822,565
Net assets at end of year	<u>\$ 3,808,854</u>	<u>\$ 27,516</u>	<u>\$ 3,836,370</u>

See notes to financial statements.

Grace Like Rain, Inc. dba Giving Grace
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 217,446	\$ 70,143	\$ 31,254	\$ 318,843
Payroll taxes	15,771	3,427	2,422	21,620
Advertising and promotion	-	-	72,236	72,236
Accounting	-	67,077	-	67,077
Client assistance	99,289	-	-	99,289
Insurance	-	6,071	-	6,071
Office	16,082	5,695	18,402	40,179
Occupancy	173,522	6,959	3,100	183,581
Total expenses by function	522,110	159,372	127,414	808,896
Less expenses included with revenues on the statement of activities -				
Direct costs of special events	-	-	(30,786)	(30,786)
Total	<u>\$ 522,110</u>	<u>\$ 159,372</u>	<u>\$ 96,628</u>	<u>\$ 778,110</u>

See notes to financial statements.

Grace Like Rain, Inc. dba Giving Grace
Statement of Cash Flows
Year Ended December 31, 2022

Cash flows from operating activities:

Change in net assets	\$ 13,805
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization on right-of-use asset	35,946
Donated construction in progress	(3,500)
Change in operating assets and liabilities:	
Accounts receivable	206
Contributions receivable	(25,970)
Grants receivable	(40,419)
Other receivable	(10,037)
Prepaid expenses	(7,167)
Accounts payable	(13,210)
Accrued expenses	1,730
Refundable advances	138,540
Operating lease liability	(33,042)

Net cash provided by operating activities 56,882

Cash flows from investing activities:

Proceeds from issuance of note payable	87,500
Payments on note payable	(10,675)
Payments on line of credit	(103,262)
Purchases of property	(10,130)

Net cash used by investing activities (36,567)

Change in cash 20,315

Cash at beginning of year 144,643

Cash at end of year \$ 164,958

Reconciliation of cash and restricted cash reported within the statement of financial position to the statement of cash flow:

Cash	\$ 160,088
Restricted cash	4,870

Cash and restricted cash reported on the statement of cash flow

\$ 164,958

Supplemental disclosure of cash flow information:

Right-of-use asset obtained in exchange for lease liability	\$ 108,895
Donated construction in progress	\$ 3,500

See notes to financial statements.

Grace Like Rain, Inc. dba Giving Grace

Notes to Financial Statements

1. Organization

Grace Like Rain, Inc. dba Giving Grace (Organization) is a Texas nonprofit 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.

The Organization 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 from the Organization 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.

During the year ended December 31, 2022, the Organization acquired Giving Hope (a nonprofit organization) and assumed the acquired organization's assets totaling approximately \$10,000 and liabilities totaling approximately \$44,000.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Grace Like Rain, Inc. dba Giving Grace

Notes to Financial Statements

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 stipulations that will be met by actions of the Organization 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 Organization to expend the income generated by the assets in accordance with provisions of additional donor-imposed stipulations or a board of directors approved spending policy. As of December 31, 2022, no such net asset restrictions existed.

Revenue and support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Donor restricted contributions whose restrictions are met in the same year the contributions are received are reported as net assets without donor restrictions. Expirations on net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Financial Instruments and Credit and Market Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash, grants receivable and contributions receivable. Cash is placed with high credit quality financial institutions to minimize risk.

The Organization places cash, which at times may exceed the federally insured limits, with high credit quality financial institutions to minimize risk. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization had no uninsured balances at December 31, 2022.

Grace Like Rain, Inc. dba Giving Grace

Notes to Financial Statements

Contributions receivable are unsecured and due from various donors. Grants receivable are unsecured and due from various grantors. The Organization continually evaluates the collectability of receivables and maintains balances as necessary. As of December 31, 2022 management has concluded no allowance is necessary. All receivables are due within on year.

As of December 31, 2022, 84% of total grants receivable was due from two agencies.

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is 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 unrestricted use unless specifically restricted by the donor. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received in advance of conditions being met are reported as refundable advances.

Revenue from special events is recognized when the event occurs.

Donated goods and property are accounted for as in-kind support at their estimated value at the date of receipt.

The Organization recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Other Receivable

The other receivable shown on the statement of financial position consists of funds owed to the Organization related to the acquisition of Giving Hope. All funds were received during the year ended December 31, 2023.

Income Taxes

The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization had no unrelated business income for the year ended December 31, 2022. Accordingly, no provision has been made for income tax in the accompanying financial statements.

Grace Like Rain, Inc. dba Giving Grace

Notes to Financial Statements

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax returns and recognition of a tax liability (or asset) if the Organization 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 Organization, and has concluded that as of December 31, 2022, 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.

Allocation of Functional Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the various functions benefited. The financial statements report certain categories of expenses that are attributed to more than one program or support function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and wages, office and occupancy expense are allocated based on estimates of time and effort.

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 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.

Accounting Pronouncement Adopted

The Organization adopted ASU No. 2016-02, *Leases* (Topic 842). The guidance in the ASU supersedes the current leasing guidance. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The ASU also required expanded disclosures related to the amount, timing and uncertainty of cash flows arising from leases. The Organization recorded the impact of adoption as of January 1, 2022, using the modified retrospective method resulting in the recording of a right-of-use asset and a lease liability totaling \$108,895. No changes were required to net assets as of January 1, 2022.

The Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). ASU 2020-07 increases transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancement to presentation and disclosure. The amendments in ASU 2020-07 address stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFP's, as well as the amount of those contributions used in an NFP's programs

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Notes to Financial Statements

and other activities. The Organization has adopted this ASU on the retrospective basis as of and for the year ended December 31, 2022. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes contributions of nonfinancial assets, and therefore, no changes were required to net assets as of January 1, 2021. The presentation and disclosures of contributions of nonfinancial assets have been enhanced in accordance with the standard.

3. Assets Restricted for Capital Campaign

The Organization has initiated a capital campaign to build a housing community. At December 31, 2022, net assets restricted for the capital campaign include:

Cash	\$ 4,870
Construction in progress	<u>10,130</u>
	<u><u>\$ 15,000</u></u>

4. Property

Property consists of the following at December 31, 2022:

Land	\$ 3,808,600
Construction in progress	<u>98,362</u>
	<u><u>\$ 3,906,962</u></u>

5. Refundable Advances

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, 2022, the Organization had received \$80,932 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. dba Giving Grace

Notes to Financial Statements

6. Note Payable

The Organization has a note payable from a bank maturing in April 2024. The note is collateralized by land. The note bears interest at 4% with monthly principal and interest payments of \$1,614. At December 31, 2022, the Organization had an outstanding balance totaling \$76,825.

Maturities of note payable are as follows for the years ending December 31:

2023	\$ 16,596
2024	<u>60,229</u>
	<u>\$ 76,825</u>

7. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2022:

Capital campaign	\$ 15,000
Emergency hotels	5,490
Moving assistance	<u>7,026</u>
	<u>\$ 27,516</u>

8. Contributions of Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets during the year ended December 31, 2022:

	Program Services	Management and General	Fundraising	Asset	Total
Services	\$ 1,272	\$ 19,705	\$ -	\$ 3,500	\$ 24,477
Goods	<u>3,239</u>	<u>-</u>	<u>300</u>	<u>-</u>	<u>3,539</u>
Total	<u>\$ 4,511</u>	<u>\$ 19,705</u>	<u>\$ 300</u>	<u>\$ 3,500</u>	<u>\$ 28,016</u>

Services

Contributed services are valued based on the price the donor would have charged if not donated.

Goods

Contributed goods are valued based on the fair market value of similar goods.

Grace Like Rain, Inc. dba Giving Grace

Notes to Financial Statements

9. Operating Leases

In evaluating its contracts, the Organization separately identifies lease and nonlease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its office space and equipment. The Organization has elected the practical expedient to not separate lease and nonlease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the nonlease component.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Organization uses the incremental borrowing rate or the risk-free rate derived from the interest paid on short-term government debt to determine the present value of lease payments.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. The Organization has elected not to record leases with an initial term of 12 months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The Organization has entered into an operating lease arrangement for use of a building for general office space. The lease expires on December 31, 2024.

Grace Like Rain, Inc. dba Giving Grace

Notes to Financial Statements

The following are the minimum lease payments under the leases for the years ending December 31:

2023	\$ 38,280
2024	<u>38,280</u>
Total future undiscounted lease payments	76,560
Less present value discount	<u>(707)</u>
Lease liability	<u><u>\$ 75,853</u></u>
 Total operating lease cost	 <u><u>\$ 36,828</u></u>
Other information:	
Cash paid for amounts included in the measurement of lease liability:	
Operating cash flows from operating leases	<u><u>\$ 33,042</u></u>
Right-of-use assets obtained in exchange for new operating lease liability	<u><u>\$ 108,895</u></u>
Weighted-average remaining lease term:	
Operating leases	<u><u>2 years</u></u>
Weighted-average discount rate:	
Operating leases	<u><u>0.97%</u></u>

10. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows as of December 31, 2022:

Cash	\$ 164,958
Contributions receivable	25,970
Grants receivable	40,419
Other receivable	<u>10,037</u>
Total financial assets	241,384
Less amounts unavailable for general expenditures within one year, due to:	
Donor imposed restrictions	<u>(27,516)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 213,868</u></u>

Grace Like Rain, Inc. dba Giving Grace

Notes to Financial Statements

The Organization monitors its liquidity in order to meet operating needs and other contractual commitments while maintaining sufficient resources to meet donor restrictions placed on contributed financial assets. The Organization has a goal to maintain its financial assets to be available as its general expenditures, liabilities and other obligations as they come due.

11. Subsequent Events

The Organization has evaluated subsequent events through the date the financial statements were available to be issued and determined no additional disclosures are required.