

THE TWELFTH STEP MINISTRY, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2019 AND 2018

THE TWELFTH STEP MINISTRY, INC.

DECEMBER 31, 2019 AND

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LORI K. ORTA, P.C.
Certified Public Accountant

Independent Auditor's Report

To the Board of Directors
The Twelfth Step Ministry, Inc.

We have audited the accompanying financial statements of The Twelfth Step Ministry, Inc. (a nonprofit corporation) (the "Organization"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 The Organization as of December 31, 2019 and 2018, 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.

Dallas, Texas
July 7, 2020

The Twelfth Step Ministry, Inc.
STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 228,542	\$ 187,184
Cash and cash equivalents - with donor restrictions	872	-
Accounts receivable	1,448	-
Pledges receivable - with donor restrictions	750	-
Prepaid expenses	1,000	-
Total current assets	232,612	187,184
INVESTMENT FUNDS HELD IN GUARDIANSHIP BY FOUNDATION - WITH DONOR RESTRICTIONS	37,072	-
PROPERTY, PLANT AND EQUIPMENT - NET	2,242,872	2,277,569
TOTAL ASSETS	\$ 2,512,556	\$ 2,464,753

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 2,470	\$ 768
Due to Lovers Lane United Methodist Church	10,432	2,733
Total current liabilities	12,902	3,501
CAPITAL LEASE OBLIGATION - NET - RELATED PARTY	1,360,031	1,288,647
NET ASSETS		
Without donor restrictions		
Undesignated	1,075,929	1,147,605
Board designated	25,000	25,000
Total without donor restrictions	1,100,929	1,172,605
With donor restrictions	38,694	-
Total net assets	1,139,623	1,172,605
TOTAL LIABILITIES AND NET ASSETS	\$ 2,512,556	\$ 2,464,753

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

The Twelfth Step Ministry, Inc.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 23,268	\$ 31,701	\$ 54,969
Rental fees	63,725	-	63,725
Special events	80,576	-	80,576
Less: direct expenses	<u>(13,608)</u>	<u>-</u>	<u>(13,608)</u>
Net special events	66,968	-	66,968
Change in investment funds held in guardianship by Foundation	-	37,072	37,072
In-kind goods and services	5,707	-	5,707
Other	644	-	644
Net assets released from restrictions	<u>30,079</u>	<u>(30,079)</u>	<u>-</u>
Total support and revenues	<u>190,391</u>	<u>38,694</u>	<u>229,085</u>
EXPENSES			
Program services			
Twelfth Step Program	206,923	-	206,923
Supporting services			
General and administrative	43,005	-	43,005
Fundraising	<u>12,139</u>	<u>-</u>	<u>12,139</u>
Total supporting services	<u>55,144</u>	<u>-</u>	<u>55,144</u>
Total expenses	<u>262,067</u>	<u>-</u>	<u>262,067</u>
CHANGES IN NET ASSETS	(71,676)	38,694	(32,982)
NET ASSETS, at beginning of year	<u>1,172,605</u>	<u>-</u>	<u>1,172,605</u>
NET ASSETS, at end of year	<u>\$ 1,100,929</u>	<u>\$ 38,694</u>	<u>\$ 1,139,623</u>

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

The Twelfth Step Ministry, Inc.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	40,616	\$ -	\$ 40,616
Rental fees	61,205	-	61,205
Special events	106,910	-	106,910
Less: direct expenses	<u>(25,122)</u>	<u>-</u>	<u>(25,122)</u>
Net special events	81,788	-	81,788
In-kind goods and services	17,098	-	17,098
Forgiveness of capital lease payable	1,000,000	-	1,000,000
Other	445	-	445
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>1,201,152</u>	<u>-</u>	<u>1,201,152</u>
EXPENSES			
Twelfth Step Program	146,142	-	146,142
Supporting services			
General and administrative	39,428	-	39,428
Fundraising	<u>9,553</u>	<u>-</u>	<u>9,553</u>
Total expenses	<u>195,123</u>	<u>-</u>	<u>195,123</u>
CHANGES IN NET ASSETS	1,006,029	-	1,006,029
NET ASSETS, at beginning of year	<u>166,576</u>	<u>-</u>	<u>166,576</u>
NET ASSETS, at end of year	<u>\$ 1,172,605</u>	<u>\$ -</u>	<u>\$ 1,172,605</u>

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

The Twelfth Step Ministry, Inc.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

	2019	2018
Cash flows from operating activities:		
Change in net assets	(32,982)	\$ 1,006,029
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	66,504	11,084
Acquisition of property, plant and equipment via donated services	-	(2,344)
Forgiveness of capital lease obligation	-	(1,000,000)
Amortization of interest on capital lease obligation	71,384	20,506
Net change in investment funds held in guardianship by Foundation	(37,072)	-
Changes in operating assets and liabilities, net		
Pledges receivable	(750)	15,100
Prepaid expense	(1,000)	-
Accounts receivable	(1,448)	1,675
Accounts payable and accrued expenses	1,702	68
Due to Lovers Lane United Methodist Church	7,699	(5,483)
Contributions restricted for long-term investment	(30,951)	-
Net cash provided by operating activities	43,086	46,635
 Cash flows from investment activities:		
Acquisition of property, plant and equipment	(31,807)	(18,168)
Net cash used in investment activities	(31,807)	(18,168)
 Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in building and land	30,951	-
Net cash provided by financing activities	30,951	-
 NET INCREASE IN CASH AND CASH EQUIVALENTS	42,230	28,467
 Cash and cash equivalents, at beginning of year	187,184	158,717
 Cash and cash equivalents, at end of year	\$ 229,414	\$ 187,184
 Supplemental disclosure of investing and financing non-cash activities:		
Acquisition of property, plant and equipment via accrued expenses	\$ 1,728	\$ -
Acquisition of property, plant and equipment via capital lease obligation	\$ -	\$ 2,268,141
Acquisition of property, plant and equipment via donated services	\$ -	\$ 2,344
Reduction on capital lease obligation via forgiveness of debt	\$ -	\$ 1,000,000
 Reconciliation of cash and cash equivalents reported within the statements of financial position to the statements of cash flows:		
Cash and cash equivalents	\$ 228,542	\$ 187,184
Cash and cash equivalents - with donor restrictions	872	-
Total cash and cash equivalents shown in the statement of cash flows	\$ 229,414	\$ 187,184

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

The Twelfth Step Ministry, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Supporting Services			Total Supporting Services	Total
	Twelfth Step Program	Management and General	Fundraising		
Salaries and benefits	\$ 56,852	\$ 22,971	\$ 8,746	\$ 31,717	\$ 88,569
Rent and administrative services	588	5,738	6	5,744	6,332
Interest expense	66,387	4,283	714	4,997	71,384
Depreciation expense	61,849	3,990	665	4,655	66,504
Technology	3,883	251	42	293	4,176
Office expense	2,456	158	26	184	2,640
Professional services	-	3,952	-	3,952	3,952
Utilities	10,256	662	110	772	11,028
Conference and sponsorship	2,586	-	-	-	2,586
Other	-	262	-	262	262
Travel	-	604	-	604	604
Repairs and maintenance	2,066	134	22	-	2,222
Advertising	-	-	1,808	1,808	1,808
	\$ 206,923	\$ 43,005	\$ 12,139	\$ 54,988	\$ 262,067

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

The Twelfth Step Ministry, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Supporting Services				Total
	Twelfth Step Program	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 56,539	\$ 21,744	\$ 8,698	\$ 30,442	\$ 86,981
Rent and administrative services	48,762	10,061	30	10,091	58,853
Interest expense	19,071	1,230	205	1,435	20,506
Depreciation expense	10,308	665	111	776	11,084
Technology	3,975	257	43	300	4,275
Office expense	2,866	185	31	216	3,082
Professional services	-	2,462	-	2,462	2,462
Utilities	2,129	137	23	160	2,289
Conference and sponsorship	2,132	-	-	-	2,132
Other	360	973	-	973	1,333
Travel	-	968	-	968	968
Repairs and maintenance	-	746	-	-	746
Advertising	-	-	412	412	412
	\$ 146,142	\$ 39,428	\$ 9,553	\$ 48,235	\$ 195,123

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

The Twelfth Step Ministry, Inc.
NOTES TO FINANCIAL STATEMENTS

1. CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *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 donor restrictions” and “net assets with donor 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.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. The Organization’s net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

In November 2016, the FASB issued ASU 2016-18 (Topic 230) – Statement of Cash Flows. This ASU require entities to show the changes in the total of cash, cash equivalents and restricted cash in the statement of cash flows and reconcile those amounts to the statement of financial position. The Organization adopted ASU 2016-18 on December 31, 2019, and applied the provisions retrospectively to all periods presented in the financial statements. For the years ended December 31, 2019 and 2018, the Organization added \$872 and \$0, respectively, of restricted cash to the total cash and cash equivalents presented in the statements of cash flows. The Adoption of ASU 2016-18 had no impact to total unrestricted revenues, excels of revenues over expenses or total net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Organization was formed in 1991 and incorporated in 2005. The Organization is a Texas nonprofit corporation dedicated to establishing, developing and promoting an improved way of life for members of the recovery community. The Organization offers a safe environment at the Center for Spiritual Development where healing can lead to preparation for returning to family, friends, and professions. The Organization’s sole member is Lovers Lane United Methodist Church (the “Church”). The Organization’s program is as follows:

Twelfth Step Program – is peer led support groups to help individuals continue to remain free of substance abuse and behavioral issues. A place where individuals can find sponsors, families and peer support.

The Organization’s primary sources of revenue are contributions from donors who have a common desire to promote recovery and from rental fees collected from those who meet at the Organization’s Center for Spiritual Development (“CSD”).

The Twelfth Step Ministry, Inc.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. See Note 7.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. See Note 8.

Liquidity and Availability

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash. See Note 3.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less. The FDIC deposit insurance insures deposits up to \$250,000 per deposit, per insured bank for each ownership category. There were no uninsured balances at December 31, 2019 and 2018.

Cash and Cash Equivalents – With Donor Restrictions

At December 31, 2019, cash and cash equivalents – with donor restrictions represents donor-restricted contributions for the CSD building fund.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, cash and cash equivalents – with donor restrictions, prepaid expenses, due to the Church and accounts payable approximate fair value due to the short-term maturities of these assets and liabilities.

Beneficial Interest in Assets Held by Foundation

The Organization is the specified beneficiary of a guardianship held by Lovers Lane United Methodist Church Foundation (the “Foundation”). For those assets to which the Organization has an unconditional right to receive all or a portion of the specified cash flows from the charitable trust or pooled assets, the Organization records the beneficial interest, measuring it at the net present value of the expected remainder at year end. The beneficial interest in assets held by other is subsequently re-measured at the present net value of the remainder at each year end, using current discount rates with the change in valuation reflected in the statements of activities and changes in net assets for the year. At December 31, 2019 and 2018, the Organization had \$37,072 and \$0, respectively in investments held in guardianship by the Foundation that are available for use.

The Twelfth Step Ministry, Inc.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, if purchased or at estimated fair value at the date of donation. The Organization capitalizes expenditures for property, plant and equipment in excess of \$5,000 and with an estimated useful life greater than one year. Maintenance and repairs are charged to expense as incurred. Depreciation of property plant and equipment is computed on a straight-line basis over the estimated useful life.

	<u>Estimated Useful Lives</u>
Building	40 years
Parking lot	15 years

Impairment of Long-Lived Assets

Management of the Organization periodically reviews the carrying value of its long-lived assets, including property and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized to the extent fair value of a long-lived asset is less than the carrying amount. Fair value is determined based on the estimated future cash inflows attributable to the asset less estimated future cash outflows.

Revenue Recognition

Contributions and grants are generally recorded only upon receipt unless evidence of an unconditional promise to give has been received. Unconditional promises to give (pledges receivable) that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected and reduced by an allowance for uncollectible amounts. Conditional promises to give are recognized when the conditions to which they are subject are met.

Rental Fees

The Organization receives rental fees for use of its building for classes held. Rental fees are recognized in the period the classes occur and is included in the statements of activities and changes in net assets.

In-kind Goods and Services

The Organization records the estimated value of in-kind goods and services at the time of receipt when there is an objective basis available to measure their value. See Note 6 and 9. The Organization receives a substantial amount of services donated by individuals in carrying out the Organization's mission. In accordance with ASC 958-605 *Not-for-Profit Entities – Revenue Recognition*, the value of the contributed time is not reflected in the accompanying financial statements, because it is not susceptible to objective measurement or valuation.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets for the years ended December 31, 2019 and 2018. Accordingly, certain costs have been allocated among the programs and services benefited. Such allocations are determined by management on an equitable basis

The expenses that are allocated include the following:

	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Rent expense, interest expense, depreciation utilities, And repairs and maintenance	Square footage

The Twelfth Step Ministry, Inc.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CSD Building Fund

The Organization is currently in the planning phase of rebuilding its CSD building located at 5324 West Northwest Highway in Dallas and plans to break ground on the new center in January 2021. The Organization is currently raising funds to cover the new center. In addition, the Church began a capital campaign called Overflowing Hope Capital Campaign in 2019. The capital campaign included a goal of \$1,000,000 to be raised for new center. See Note 8.

Income Taxes

The Organization is exempt from federal 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.

The Organization has concluded that it does not have any unrecognized tax benefits resulting from the current or prior period tax positions. Accordingly, no additional disclosures have been made on the financial statements regarding ASC 740, *Income Taxes*. The Organization does not have any outstanding interest or penalties, and none have been recorded in the statements of activities and changes in net assets for the years ended December 31, 2019 and 2018. The Organization's informational returns filed are generally subject to examination for three years after the later of the due date or date of filing. As a result, the Organization is no longer subject to income tax examination by tax authorities for years prior to 2016.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

3. LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use because of donor-imposed restrictions and board designations within one year of the statement of financial position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year.

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash and cash equivalents	\$ 230,207	\$ 187,184
Accounts receivable	1,448	-
Pledges receivable	750	-
Investment funds held in guardianship by Foundation	<u>37,072</u>	<u>-</u>
Total financial assets	268,029	187,184
Less amounts not available to be used within one year, due to		
Designated by Board for operating reserve	(25,000)	(25,000)
Net assets with donor restrictions	<u>(37,944)</u>	<u>-</u>
Financial assets available to meet general expenditures within one year	<u>\$ 204,335</u>	<u>\$ 162,184</u>

As a part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization receives contributions without donor restrictions and with donor restriction, which are ongoing and central to its annual operations to be available to meet cash needs for general expenditures. In addition, the Board designates a portion of any operating surplus to its operating reserve, which was \$25,000 as of December 31, 2019 and 2018. See Note 7.

The Twelfth Step Ministry, Inc.
NOTES TO FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at December 31,:

	<u>2019</u>	<u>2018</u>
Building	\$ 1,637,491	\$ 1,637,491
Land	249,496	249,496
Parking lot	383,498	383,498
Construction in progress	<u>49,975</u>	<u>18,168</u>
	2,320,460	2,288,653
Accumulated depreciation	<u>(77,588)</u>	<u>(11,084)</u>
Total	<u>\$ 2,242,872</u>	<u>\$ 2,277,569</u>

Depreciation expense was \$66,504 and \$11,084 for the years ended December 31, 2019 and 2018.

The Organization leases certain property, plant and equipment under a capital lease obligation expiring on October 31, 2068. Property, plant and equipment includes the following lease that has been capitalized at December 31,:

	<u>2019</u>	<u>2018</u>
Building and parking lot	\$ 2,268,141	\$ 2,268,141
Accumulated depreciation	<u>(77,520)</u>	<u>(11,074)</u>
Total	<u>\$ 2,190,621</u>	<u>\$ 2,257,067</u>

For the years ended December 31, 2019 and 2018, depreciation on leased assets of \$66,445 and \$11,074, is included in depreciation expense. Interest expense on leased equipment was \$71,384 and \$20,560 for the years ended December 31, 2019 and 2018. See Note 5.

5. CAPITAL LEASE OBLIGATION – RELATED PARTY

On November 1, 2018, the Organization entered into a 50 year lease agreement with the Church for the existing building located at 5324 West Northwest Highway in Dallas. Payments on the lease will be made through December 31, 2021 at 5.5% interest. The Organization recorded the asset and a related capital lease. The balance of the capital lease was \$1,360,031 and \$1,288,647 at December 31, 2019 and 2018, respectively. During 2018, the Church forgave \$1,000,000 of the capital lease obligation.

The following is a schedule by year of future minimum lease payments remaining on the capital leases obligation together with the present value of the future minimum lease payments as of December 31, 2019:

December 31, 2020	\$ -
December 31, 2021	<u>1,500,000</u>
Total minimum lease payments	1,500,000
Less: amounts representing interest	<u>(139,969)</u>
Net present value of future minimum lease payments	<u>\$ 1,360,031</u>

6. IN-KIND GOODS AND SERVICES

The value of in-kind goods and services is as follows for the years ended December 31,:

	<u>2019</u>	<u>2018</u>
Shared services from affiliate	\$ 5,707	\$ 6,421
Rent	-	8,333
Professional services	<u>-</u>	<u>2,344</u>
	<u>\$ 5,707</u>	<u>\$ 17,098</u>

The Twelfth Step Ministry, Inc.
NOTES TO FINANCIAL STATEMENTS

7. BOARD DESIGNATED NET ASSETS

The Board has designated \$25,000 from net assets without donor restrictions as an operating reserve at December 31, 2019 and 2018. The operative reserve is to ensure the stability of the mission, programs, employment, and ongoing operations of the Organization.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purpose at December 31,:

	2019	2018
Subject to passage of time	\$ 750	\$ -
Subject to expenditures for specified purpose:		
CSD building fund	37,944	-
	\$ 38,694	\$ -

Released from net assets with donor restrictions consisted of the following for the year ended December 31,:

	2019	2018
Satisfaction of purpose restrictions:		
CSD building fund	\$ 37,944	\$ -

9. RELATED PARTY

The Church provides administrative services, including but not limited to: financial reporting, human resources, information systems, facilities, insurance, communications services and legal support. For the year ended December 31, 2019, related party services were \$6,332 for the use of space and for administrative services, including \$5,707 of in-kind shared services in accordance with ASC 958-720-25-9 Not-for-Profit Entities – Other Expenses. For the year ended December 31, 2018, related party services were \$58,853 for the use of space and for administrative services, including \$6,421 of in-kind shared services in accordance with ASC 958-720-25-9 Not-for-Profit Entities – Other Expenses. The Organization recognizes shared services received from personnel of the Church as in-kind administrative services. Shared services generally refers to services provided by a central function of one or more individuals within an affiliate group that the Organization would otherwise need to purchase or have donated. The value of the contributed time is reflected in the financial statements.

During 2018, The Organization entered into capital lease with the Church. See Note 5.

The Organization also maintains cash balances which are comingled with the Church. The Church processes cash receipts and disbursements for the Organization. At December 31, 2019 and 2018, the Organization owed the Church \$10,432 and \$2,733, respectively, for excess disbursements over receipts.

10. EMPLOYEE RETIREMENT PLAN

The Organization has adopted a defined contribution retirement plan, administered by the Wespath Benefits and Investments. This plan is for the benefit of all full time employees, including ordained ministerial staff. To participate, employees must contribute at least three percent of their eligible compensation. The Organization contributes six percent of eligible employee compensation. For the years ended December 31, 2019 and 2018, there were \$4,198 and \$4,198, respectively of employer contributions to the plan.

The Twelfth Step Ministry, Inc.
NOTES TO FINANCIAL STATEMENTS

11. ENDOWMENT FUND

In 2019, the Phillips Family Fund endowment was established with the Foundation to benefit the Organization. The Foundation is a Texas non-profit corporation formed to provide financial support to the Church and its ministries. The Foundation was granted variance power over these funds and they are under the ultimate control of the Foundation's Board of Directors.

Pursuant to ASC 948, "*Transfer of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Hold Contributions for Others*" due to the Foundation being granted variance power, the funds are not reflected in the financial statements of the Organization. As of December 31, 2019, the total estimated value of the endowment fund held by the Foundation was approximated \$207,000, of which approximately \$65,000 is available upon request.

12. FINANCIAL CONDITION

The Organization depends heavily on contributions from donors, rental fees and net special events for its revenue. The ability of the donors to continue giving may be dependent, among other things, upon current and future overall economic conditions and the continued deductibility for income tax purposes of donations to the Organization. While management believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors. See Note 14.

13. CONCENTRATIONS

At December 31, 2019, approximately \$50,000 or 37% of the Organization's contributions and special event revenue were from board members. At December 31, 2018, approximately \$93,000 or 63% of the Organization's contributions and special event revenue were from board members.

14. SUBSEQUENT EVENTS

In December 2019, a novel strain of coronavirus was discovered. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting businesses and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our donors and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

In preparing financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 7, 2020, the date the financial statements were available to be issued and determined that there were no additional such events or transactions that require disclosure for the year ended December 31, 2019.