6 Stones Mission Network

Financial Statements
December 31, 2019

Sutton Frost Cary LLP
Certified Public Accountants

6 Stones Mission Network
Contents

Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
6 Stones Mission Network

We have audited the accompanying financial statements of 6 Stones Mission Network (a nonprofit organization) which comprise the statement of financial position as of December 31, 2019, 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 these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. 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.

Sutton Frost Cary LLP www.sfcllp.com
600 Six Flags Drive, Suite 600 Arlington, Texas 76011 Phone 817.649.8083

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 6 Stones Mission Network as of December 31, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, management has adopted ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* in 2019 with retrospective application to 2018. Our opinion is not modified with respect to that matter.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
April 30, 2020

6 Stones Mission Network
Statement of Financial Position
December 31, 2019

Assets

Current assets:		
Cash	$	391,853
Cash held for others		22,486
Grants and contributions receivable		153,330
Inventory		89,970
Prepaid expenses		12,221
Total current assets		669,860
Property and equipment, net		187,285
Total assets	$	857,145

Liabilities and Net Assets

Current liabilities:		
Accounts payable	$	16,729
Accrued expenses		34,723
Due to others		22,486
Total current liabilities		73,938
Net assets:		
Without donor restrictions		439,906
With donor restrictions		343,301
Total net assets		783,207
Total liabilities and net assets	$	857,145

See notes to financial statements.

6 Stones Mission Network

Statement of Activities

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	$ 755,685	$ 732,594	$ 1,488,279
Grants	-	190,462	190,462
In-kind donations	860,977	-	860,977
Net assets released from restrictions	783,657	(783,657)	-
Total support and revenue	2,400,319	139,399	2,539,718
Expenses:			
Program services	1,510,237	-	1,510,237
General and administrative	500,787	-	500,787
Fundraising	122,522	-	122,522
Total expenses	2,133,546	-	2,133,546
Change in net assets	266,773	139,399	406,172
Net assets at beginning of year, as restated	173,133	203,902	377,035
Net assets at end of year	$ 439,906	$ 343,301	$ 783,207

See notes to financial statements.

6 Stones Mission Network
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services				Supporting Services			
	Community Powered Revitalization	Community Activities	School Based Activities	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries and wages	$ 132,824	$ 46,855	$ 86,883	$ 266,562	$ 211,801	$ 94,820	$ 306,621	$ 573,183
Payroll taxes and employee benefits	39,622	14,746	26,776	81,144	72,373	26,409	98,782	179,926
Compensation and related expenses	172,446	61,601	113,659	347,706	284,174	121,229	405,403	753,109
Insurance	5,517	25,922	1,791	33,230	8,175	-	8,175	41,405
Professional fees and contract labor	25,260	-	-	25,260	27,401	-	27,401	52,661
Supplies	12,803	20,074	16,438	49,315	2,502	-	2,502	51,817
Postage and printing	4,042	15,817	1,156	21,015	1,971	-	1,971	22,986
Occupancy	33,380	148,104	11,532	193,016	151,771	-	151,771	344,787
Client assistance	155,299	398,725	217,584	771,608	-	-	-	771,608
Depreciation	2,501	30,104	-	32,605	2,424	-	2,424	35,029
Other	10,499	23,496	2,487	36,482	22,369	1,293	23,662	60,144
Total expenses	$ 421,747	$ 723,843	$ 364,647	$ 1,510,237	$ 500,787	$ 122,522	$ 623,309	$ 2,133,546

See notes to financial statements.

6 Stones Mission Network
Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities:	
Change in net assets	$ 406,172
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	35,029
Changes in operating assets and liabilities:	
Grants and contributions receivable	(111,758)
Prepaid expenses	(7,017)
Inventory	(89,970)
Accounts payable	(14,416)
Accrued expenses	3,064
Due to others	(1,225)
Net cash provided by operating activities	219,879
Cash flows from investing activities-	
Purchases of property and equipment	(4,854)
Net increase in cash	215,025
Cash at beginning of year	199,314
Cash at end of year	$ 414,339
Reconciliation of cash and restricted cash reported within the statement of financial position to the statement of cash flows:	
Cash	$ 391,853
Cash held for others	22,486
Total cash and restricted cash shown in the statement of cash flows	$ 414,339

See notes to financial statements.

1. Organization

6 Stones Mission Network (Organization) meets the needs of people within the community including benevolence, food, clothing and other supplies through a coalition of churches, other not-for-profit agencies and other entities. The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization pursues its objectives through the execution of the following major programs:

Community Powered Revitalization – This program provides home renovations in Hurst, Bedford, Euless and Grapevine, Texas and surrounding communities for the underprivileged, disabled and elderly individuals.

Community Activities – This program provides emergency assistance of food, clothing and other resources to families in need.

School Based Activities – This program provides economically disadvantaged students with backpacks and school supplies. This program also provides gifts and Christmas dinners to families in need.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Financial Statement Presentation

Net assets, revenues, 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 or grantor-imposed restrictions. 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 or grant restrictions. Some restrictions are temporary in nature, such as those that will be met by actions of the Organization and/or the passage of time. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues 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 stipulations or by law. Expirations of donor restrictions on net assets (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 Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash. Cash is placed with high credit quality financial institutions to minimize risk. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2019, the Organization's uninsured balances totaled $136,843. The Organization has not experienced losses on such assets.

Contributions and Grants Receivable

Contributions and grants receivable are recorded at net realizable value. Management evaluates the adequacy of the allowance for doubtful accounts based on a review of individual accounts. The primary factors considered in determining the amount of the allowance are collection history, the aging of the accounts and other specific information known to management that may affect collectability. No allowance for doubtful accounts was considered necessary at December 31, 2019.

At December 31, 2019, the balance due from one donor accounted for 65% of total contributions and grants receivable.

Inventory

Inventory consists of purchased and donated food and new toys. These items are distributed to clients free of charge. Donated food is valued at an estimated amount of $1.62 per pound at December 31, 2019 and donated new toys are valued at cost.

Property and Equipment

Property and equipment purchased by the Organization are stated at cost or if acquired by gift, at fair market value at the date of the donation. The Organization capitalizes property and equipment over $1,000; the fair value of donated fixed assets is similarly capitalized. Donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over estimated useful lives of the assets. Depreciation is calculated using the straight-line method based upon the estimated useful lives of 10 to 15 years for buildings and improvements and 3 to 15 years for vehicles and equipment.

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. No such loss was recognized during the year ended December 31, 2019.

Due to Others

Due to others represents amounts collected by the Organization from a school district. These funds are returnable to the school district upon request and all funds distributed are determined at the school district's discretion.

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 – that is, 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.

The Organization receives economic revitalization grants from various participating cities. Grant revenue is recognized when the Organization is informed of the grant award.

The city grant awards generally include a specified amount restricted to support administration of the Organization's community powered revitalization program and a maximum annual match to reimburse the Organization for a percentage of allowable project costs. The portion of the grant award restricted for administration is recognized as restricted grant income upon receipt of the award. Grant income subject to allowable project costs is recognized as revenue in the month the allowable project expenses are incurred.

As of December 31, 2019 the Organization has approximately $43,765 of conditional grants from various participating cities. The grants will be recognized as revenue when the conditions, which include performance of allowable activities and incurring allowable expenses, are met.

The Organization receives donated food and grocery products from the general public, food drives, philanthropic and compassion agencies, churches and local area merchants. These donations are valued as of the latest valuation study of Feeding America. Undistributed food is kept in controlled environments and held as inventory until distributed.

The Organization recognizes the fair value of donated food and grocery products as noncash contributions upon receipt of goods and as noncash direct assistance expense when provided to the Organization’s clients.

Donations of the use of facilities are primarily donated by a church and are reflected as contributions at their estimated fair values at 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.

In order to enable the Organization to meet its mission, a substantial number of volunteers donate significant amounts of their time to the Organization’s programs and fundraising functions. These amounts do not meet the requirements for recognition in the financial statements.

Federal Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. For the year ended December 31, 2019, the Organization had no material unrelated business income. Accordingly, no provision has been made for federal income tax in the accompanying 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, 2019, 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.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising costs for the year ended December 31, 2019 totaled $5,712.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between program services and support services based on management’s judgment considering space used, time spent or direct relation to the program or support service benefited.

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 revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and expenses during the reporting period. Actual results could differ from those estimated.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification.

The Organization considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization's financial position and results of activities.

In 2016, the FASB issued its leasing standard in ASU 2016-02*, Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2020.

The Organization is currently assessing the impact that adopting this new guidance will have on the financial statements.

Accounting Pronouncements Adopted

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The Organization has adopted this ASU as of and for the year ended December 31, 2019.

In 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, *Not-for-Profit Entities* or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance. The Organization has adopted this ASU as of and for the year ended December 31, 2019 with retrospective application to the beginning net assets. As a result, the Organization restated net assets as of January 1, 2019 for grants considered to be restricted but not conditional under this ASU. This resulted in an increase to total net assets of $100,000 as of January 1, 2019, and an increase to net assets with donor restrictions of $100,000 as of January 1, 2019. The presentation and disclosures of revenue have been enhanced in accordance with the ASUs.

3. Property and Equipment

Property and equipment consist of the following at December 31, 2019:

Building and improvements	$ 235,106
Vehicles and equipment	198,163
	433,269
Less: accumulated depreciation	(245,984)
	$ 187,285

Depreciation expense totaled $35,029 for the year ended December 31, 2019.

4. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of amounts restricted by donors for the following purposes as of December 31, 2019:

Community revitalization	$ 227,141
Time restricted	100,000
Community activities	16,160
	$ 343,301

5. In-Kind Contributions

The Organization received the following in-kind contributions during the year ended December 31, 2019:

Food, clothing, toys and school supplies	$	681,291
Use of office space and facilities		179,686
	$	860,977

The use of office space and facilities is reflected in the accompanying financial statements as contribution revenue and occupancy expense. The donated food, clothing, toys and school supplies are reflected in the accompanying financial statements as contribution revenue and client assistance expense.

6. Employee Benefit Plan

The Organization participates in a multiple employer defined contribution plan. Eligible employees are able to participate after one year or 1,000 hours of services. Employees may choose to contribute a set amount or percentage of their eligible pay up to Internal Revenue Service (IRS) set limits. Contributions are made on behalf of eligible employees ranging from 2% to 15% of employee compensation depending on tenure and position. The Organization's contributions to the plan were $47,546 for the year ended December 31, 2019.

7. Liquidity and Availability of Resources

The Organization's financial assets available to meet cash needs for general expenditures within one year at December 31, 2019 are as follows:

Cash	$	391,853
Cash held for others		22,486
Grants and contributions receivable		153,330
Total financial assets		567,669
Less amounts not available for general expenditures within one year:		
Cash due to others		(22,486)
Financial assets available to meet cash needs for general expenditures within one year	$	545,183

The Organization receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

The Organization has a goal to maintain financial assets to meet 60 days of normal operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

8. Subsequent Events

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The coronavirus outbreak has severely restricted the level of economic activity. Given the uncertainty of the spread of the coronavirus, the related financial impact to the Organization, if any, cannot be determined at this time.

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