6 Stones Mission Network

Independent Auditor's Report and Financial Statements

December 31, 2018

CPAs & Advisors

6 Stones Mission Network
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Contents

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CPAs & Advisors

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Independent Auditor's Report

To the Board of Directors of
6 Stones Mission Network
Bedford, Texas

We have audited the accompanying financial statements of 6 Stones Mission Network (6 Stones) which comprise the statement of financial position as of December 31, 2018, 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 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 of 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 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 the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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 6 Stones Mission Network as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in *Note 2* to the financial statements, in 2018, 6 Stones adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

Fort Worth, Texas
August 22, 2019

6 Stones Mission Network

Statement of Financial Position

December 31, 2018

Assets		
Cash	$	174,803
Cash held for others		23,711
Cash restricted to investment in property and equipment		800
Accounts receivable		41,572
Prepaid expenses		5,204
Property and equipment, net		217,460
Total assets	$	463,550
Liabilities and Net Assets		
Liabilities		
Accounts payable	$	31,145
Accrued expenses		31,659
Funds held for others		23,711
Deferred revenue		100,000
Total liabilities		186,515
Net Assets		
Without donor restrictions		
Undesignated		173,133
With donor restrictions		
Restricted for program expenses		103,102
Restricted for investment in property and equipment		800
		103,902
Total net assets		277,035
Total liabilities and net assets	$	463,550

6 Stones Mission Network

Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	$ 741,951	$ 793,792	$ 1,535,743
Grants and other program income	387,613	-	387,613
In-kind donations and contributed services	2,242,520	-	2,242,520
Gain on disposal of assets	7,000	-	7,000
Net assets released from restrictions:			
Satisfaction of program restrictions	831,387	(831,387)	-
Total revenues, gains and other support	4,210,471	(37,595)	4,172,876
Expenses and Losses			
Program services:			
Community revitalization	799,149	-	799,149
Community activities	2,370,513	-	2,370,513
School based initiatives	442,777	-	442,777
Total program services	3,612,439	-	3,612,439
Supporting services:			
General and administrative	355,425	-	355,425
Fundraising	266,658	-	266,658
Total supporting services	622,083	-	622,083
Total expenses	4,234,522	-	4,234,522
Change in Net Assets	(24,051)	(37,595)	(61,646)
Net Assets, Beginning of Year	197,184	141,497	338,681
Net Assets, End of Year	$ 173,133	$ 103,902	$ 277,035

6 Stones Mission Network

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services				Supporting Services			
	Community Revitalization	Community Activities	School Based Initiatives	Total Program Services	General Administrative	Fundraising	Total Supporting Services	Total
Salaries	$ 277,776	$ 122,994	$ 108,330	$ 509,100	$ 198,044	$ 163,002	$ 361,046	$ 870,146
Benefits	95,785	43,643	37,537	176,965	65,146	56,656	121,802	298,767
Total salaries and related expenses	373,561	166,637	145,867	686,065	263,190	219,658	482,848	1,168,913
Insurance	17,181	6,252	4,839	28,272	6,807	3,537	10,344	38,616
Professional fees and contract labor	13,815	7,496	2,252	23,563	17,026	2,611	19,637	43,200
Supplies	91,701	5,060	28,610	125,371	138	72	210	125,581
Office supplies	22,957	6,506	4,419	33,882	5,662	3,302	8,964	42,846
Telephone	6,644	2,980	1,812	11,436	4,107	2,134	6,241	17,677
Postage	1,178	437	3,273	4,888	594	309	903	5,791
Printing and publishing	10,518	5,065	4,611	20,194	4,229	2,197	6,426	26,620
Occupancy	32,697	140,890	9,489	183,076	15,252	2,017	17,269	200,345
Transportation	10,104	5,303	2,020	17,427	4,578	2,379	6,957	24,384
Equipment and furniture	9,479	12,284	-	21,763	-	-	-	21,763
Advertising	-	-	-	-	1,130	8,675	9,805	9,805
Business meals and training	12,808	8,139	5,376	26,323	6,565	3,411	9,976	36,299
Community awareness	-	-	-	-	2,009	7,736	9,745	9,745
Bank fees	-	-	-	-	9,201	883	10,084	10,084
Interest	844	530	1,196	2,570	225	151	376	2,946
Assistance to others	182,030	1,998,839	227,021	2,407,890	-	-	-	2,407,890
Donor development	-	-	-	-	-	717	717	717
Total expenses before depreciation	785,517	2,366,418	440,785	3,592,720	340,713	259,789	600,502	4,193,222
Depreciation	13,632	4,095	1,992	19,719	14,712	6,869	21,581	41,300
Total expenses	$ 799,149	$ 2,370,513	$ 442,777	$ 3,612,439	$ 355,425	$ 266,658	$ 622,083	$ 4,234,522

6 Stones Mission Network

Statement of Cash Flows

Year Ended December 31, 2018

Operating Activities		
Change in net assets	$	(61,646)
Items not requiring (providing) cash		
Depreciation		41,300
Gain on disposal of property and equipment		(7,000)
Changes in		
Accounts receivable		52,214
Inventory		2,487
Other assets		(5,204)
Accounts payable and accrued expenses		18,587
Funds held for others		(2,161)
Deferred revenue		25,000
Net cash provided by operating activities		63,577
Investing Activities		
Proceeds from disposal of property and equipment		7,000
Net cash provided by investing activities		7,000
Cash Flows from Financing Activities		
Proceeds from line of credit		100,000
Payments on line of credit		(100,000)
Net cash provided by financing activities		-
Increase in Cash		70,577
Cash, Beginning of Year		128,737
Cash, End of Year	$	199,314
Supplemental Cash Flows Information:		
Interest paid	$	2,946
Reconcilliation to Statement of Financial Position		
Cash	$	174,803
Cash held for others		23,711
Cash restricted to investment in property and equipment		800
	$	199,314

6 Stones Mission Network
Notes To The Financial Statements
Year Ended December 31, 2018

Note 1: Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

6 Stones Mission Networks (6 Stones) 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. 6 Stones is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Use of 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 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable represent amounts due from participant cities at December 31, 2018 for work performed during the year. Based on past experience and analysis of current receivable collectability, no allowance for doubtful accounts is considered necessary.

Property and Equipment

Property and equipment acquisitions exceeding $1,000 are capitalized and are stated at cost, less accumulated depreciation. Depreciation is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	10 -15 years
Furniture and equipment	3 - 15 years
Land improvements	5 years

Impairment of Long-Lived Assets

6 Stones evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended December 31, 2018.

Funds Held for Others

Funds held for others represent cash which is held for the benefit of other organizations.

Deferred Revenue

Deferred revenue represents cash received in advance for program services to be performed in 2019.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to 6 Stones either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions.

When a donor stipulated time restriction ends or 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 restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Revenue Recognition

6 Stones' primary sources of revenues are contributions and grants. Contributions are recognized as they are received or when 6 Stones is informed of the donors' intent or award of grant. Grants are primarily received from various participating cities with which 6 Stones has contracted. Grant income is recognized when the services are performed.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. 6 Stones recognized $105,909 in contributed services relating to work performed for community revitalization for the year ended December 31, 2018. Additionally, a substantial number of volunteers have donated significant amounts of their time in 6 Stone's activities. No amounts have been reflected in the financial statements for volunteers' services because it does not meet the criteria noted above.

In-kind Contributions

In addition to receiving cash contributions, 6 Stones receives in-kind contributions from various donors. It is the policy of 6 Stones to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by the same amount. For the year ended December 31, 2018, the following was received as in-kind donations:

Food for community activity program	$ 1,980,985
Office space and facilities	155,626
	$ 2,136,611

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the specific identification of costs, approximate percentage of time expended or usage of building, as appropriate.

Income Taxes

6 Stones is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, 6 Stones is subject to federal income tax on any unrelated business taxable income.

6 Stones files tax returns in the U.S. federal jurisdiction.

Note 2: Change in Accounting Principle

In 2018, 6 Stones, adopted ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the statement of financial position.
- Amounts and purposes of Governing Board designations and appropriations as of the end of the period are disclosed.

This change had no impact on previously reported total change in net assets.

Note 3: Property and Equipment

Property and equipment consist of the following at December 31, 2018:

Buildings and improvements	$ 223,823
Furniture and equipment	193,163
Land improvements	11,283
	428,269
Less accumulated depreciation	(210,809)
Total	$ 217,460

Note 4: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

Community revitalization	$	87,851
Community activities		15,251
Investment in property and equipment		800
Total	$	103,902

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors.

Community revitalization	$	391,847
Community activities		84,455
School based initiatives		355,085
Total	$	831,387

Note 5: Pension Plan

6 Stones is a participant in a retirement program primarily governed by Guidestone Financial Resources of the Southern Baptist Convention. Contributions are made on behalf of eligible staff ranging from 2% to 10% of employee compensation depending upon tenure and position.
6 Stones' contributions to the plan are $68,709 for the year ended December 31, 2018.

Note 6: Line of Credit

6 Stones had a revolving line of credit from a financial institution. The line of credit bears interest at a floating rate per annum equal to the prime rate, plus 1.25%. During 2018, 6 Stones borrowed $100,000 on the line of credit and repaid this amount prior to year-end. The line of credit matured on August 1, 2018, and was not renewed.

Note 7: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018, comprise the following:

Total financial assets		
Cash	$	199,314
Accounts Receivable		41,572
Total financial assets at year end		240,886
Cash held for others		(23,711)
Donor imposed restrictions		
Restricted for programs not expected to be used within one year		(31,403)
Financial assets available to meet cash needs for general expenditures within one year	$	185,772

6 Stones 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. For the year ended December 31, 2018, restricted contributions of $72,499 were included in financial assets available to meet cash needs for general expenditures within one year.

6 Stones has a goal to maintain financial assets, which consist of cash on hand and accounts receivable, to meet 60 days of normal operating expenses. 6 Stones has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 8: Subsequent Events

Subsequent events have been evaluated through August 22, 2019, which is the date the financial statements were available to be issued.

Note 9: Future Change in Accounting Principle

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018 for nonpublic entities.

On June 21, 2018, FASB issued Accounting Standards Update (ASU) 2018-08. This standard clarifies existing guidance on determining whether a transaction with a resource provider, e.g., the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional.

FASB expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current generally accepted accounting principles. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important.

For nonpublic entities, the standard will be effective for reporting periods beginning on or after December 15, 2018.

6 Stones is in the process of evaluating the impact these ASU's will have on the financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards.

Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019. 6 Stones is in the process of evaluating the effect the amendment will have on the financial statements.