

Cypress Community Assistance Ministries

**FINANCIAL STATEMENTS –
MODIFIED CASH BASIS**


December 31, 2015 and 2014



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Cypress Community Assistance Ministries
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cypress Community Assistance Ministries
Houston, Texas

We have audited the accompanying financial statements of the Cypress Community Assistance Ministries (the Organization), which comprise the statements of assets, liabilities and net assets – modified cash basis as of December 31, 2015 and 2014 and the related statements of revenue, expenses and changes in net assets – modified cash basis and cash flows – modified cash basis 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 the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Cypress Community Assistance Ministries as of December 31, 2015 and 2014, and its support, revenue, and expenses, and cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Caru, Riggs & Ingram, L.L.C.

Houston, Texas

June 9, 2016

Cypress Community Assistance Ministries
Statements of Assets, Liabilities and Net Assets –
Modified Cash Basis

<i>December 31,</i>	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 233,762	\$ 307,570
Prepaid expenses and other assets	2,700	10,000
Total current assets	236,462	317,570
Property and equipment, net	866,960	97,473
Total assets	\$ 1,103,422	\$ 415,043
Liabilities and Net Assets		
Current liabilities		
Property tax payable	\$ 9,464	-
Note payable	575,625	-
Total liabilities	585,089	-
Commitments and contingencies		
Net assets		
Unrestricted	479,767	415,043
Temporarily restricted	38,566	-
Total net assets	518,333	415,043
Total liabilities and net assets	\$ 1,103,422	\$ 415,043

The accompanying footnotes are an integral part of these financial statements – modified cash basis.

Cypress Community Assistance Ministries
Statements of Revenues, Expenses and Changes in Net Assets –
Modified Cash Basis

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<i>For the years ended December 31,</i>						
Support and revenue						
Contributions	\$ 319,007	\$ 42,000	\$ 361,007	\$ 342,093	\$ -	\$ 342,093
Stores sales, net	1,021,576	-	1,021,576	990,491	-	990,491
Investment and other income	6,958	-	6,958	6,732	-	6,732
Net assets released from restriction	3,434	(3,434)	-	-	-	-
Total revenue and other support	1,350,975	38,566	1,389,541	1,339,316		1,339,316
Expenses						
Bank and credit card charges	18,246	-	18,246	20,984	-	20,984
Cost of sales, net	23,221	-	23,221	32,225	-	32,225
Client assistance	111,304	-	111,304	208,015	-	208,015
Depreciation	14,889	-	14,889	16,096	-	16,096
Equipment	5,526	-	5,526	5,923	-	5,923
Other operating expenses	55,683	-	55,683	49,911	-	49,911
Rent	247,201	-	247,201	260,585	-	260,585
Repairs and maintenance	41,853	-	41,853	42,035	-	42,035
Salaries and wages	667,669	-	667,669	576,919	-	576,919
Supplies	17,925	-	17,925	8,680	-	8,680
Technology support	24,700	-	24,700	28,200	-	28,200
Telephone	14,068	-	14,068	17,254	-	17,254
Interest	4,089	-	4,089	-	-	-
Utilities	39,877	-	39,877	51,396	-	51,396
Total expenses	1,286,251	-	1,286,251	1,318,223	-	1,318,223
Changes in net assets	64,724	38,566	103,290	21,093	-	21,093
Net assets, beginning of year	415,043	-	415,043	393,950		393,950
Net assets, end of year	\$ 479,767	\$ 38,566	\$ 518,333	\$ 415,043	\$ -	\$ 415,043

The accompanying footnotes are an integral part of these financial statements – modified cash basis.

Cypress Community Assistance Ministries
Statements of Cash Flows –
Modified Cash Basis

<i>For the years ended December 31,</i>	2015	2014
Operating activities		
Change in net assets	\$ 103,290	\$ 21,093
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	14,889	16,096
Changes in operating liabilities		
Prepays and other assets	7,300	-
Accounts payable	9,464	(5,887)
Net cash provided by operating activities	134,943	31,302
Investing activities		
Purchase of property and equipment	(208,751)	(6,862)
Net change in cash and cash equivalents	(73,808)	24,440
Cash and cash equivalents, beginning of year	307,570	283,130
Cash and cash equivalents, end of year	\$ 233,762	\$ 307,570
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 4,089	\$ -
Noncash investing and financing activities		
Purchase of property via assumption of debt	\$ 575,625	\$ -

The accompanying footnotes are an integral part of these financial statements – modified cash basis.

Cypress Community Assistance Ministries
Notes to Financial Statements
Modified Cash Basis

NOTE 1: ORGANIZATION

Cypress Community Assistance Ministries (the “Organization”) is a nonprofit faith based organization that serves individuals and families in financial crisis, those on the brink of homelessness, the elderly and the unemployed. The Organization offers individuals access to a food pantry, clothing, financial assistance, GED/ESL classes and employment assistance. The Organization’s support comes primarily from contributions and sales from Angels’ Attic.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization’s policy is to prepare financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles; consequently, certain revenues and the related assets are recognized when received rather than when earned and certain expenses and purchases are recognized when cash is disbursed rather than when the obligation is incurred.

Financial Statement Presentation

The Organization’s resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purpose by action of the Board.
- Temporarily restricted net assets – Net asset that include contributions restricted by the donor for specific purposes or time periods.
- Permanently restricted net assets – Net assets which include contributions that donors have restricted in perpetuity. The Organization had no permanently restricted net assets at December 31, 2015 or 2014.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with initial maturities of three months or less at the time of purchase to be cash equivalents. At December 31, 2015, \$45,030 of the Organization’s cash and cash equivalents are set aside for the capital campaign either from receipt of donor restricted contributions for that purpose or funds set aside by the Organization internally.

Cypress Community Assistance Ministries
Notes to Financial Statements
Modified Cash Basis

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost if purchased, or in the case of donated property, at the estimated fair market value at the date of donation. Depreciation is computed by use of the straight-line method for financial reporting purposes. Useful lives of the assets range from three to fifteen years.

Routine maintenance, repair, renewal and replacement costs are charged against operations in the year incurred. Expenditures, which materially increase values or extend useful lives of property and equipment, are capitalized.

Contributions

Contributions are recorded in the period received. All contributions are considered to be available for general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted report and increase in unrestricted net assets.

Angels' Attic Sales

The Organization receives donated clothing, furniture, household items, and other merchandise for sale in its resale shop. Revenue is recorded when the sale occurs and is reported net of discounts, estimated returns and sales taxes. In addition, the Organization will purchase jewelry to supplement donated items. For the years ended December 31, 2015 and 2014, the Organization purchased \$23,221 and \$32,225, respectively, of jewelry and new gifts which is expensed upon purchase.

Donated Goods and Services

The Organization receives significant donations which are sold in the resale shop or distributed to clients. These donations are primarily from individual donors. The Organization has not estimated the value of the donations and therefore no amounts are recorded in the accompanying financial statements.

The Organization also receives significant volunteer time to assist the fulfillment of its programs. While the value of such contributed efforts is vitally beneficial to the Organization, no dollar amount is recognized in these financial statements for these contributions.

Cypress Community Assistance Ministries
Notes to Financial Statements
Modified Cash Basis

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Considerations

The Organization uses fair value to measure monetary and certain nonmonetary financial assets and liabilities. The Organization's financial instruments (primarily cash and cash equivalents and payables) are carried in the accompanying statement of assets, liabilities, and net assets – modified cash basis at amounts which reasonably approximate fair value.

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves and Angels' Attic. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2015 and 2014 totaled \$14,111 and \$15,674, respectively.

Federal Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income tax has been made in these financial statements.

The Organization accounts for uncertain tax positions, when it is more likely than not, that such an asset or a liability will be realized. As of December 31, 2015, management believes there were no uncertain tax positions.

Estimates

The preparation of the financial statements in conformity with the modified cash basis of accounting, another comprehensive basis of accounting, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated subsequent events through the date the financial statements were available for issuance on June 9, 2016. No matters were identified affecting the accompanying financial statements or related disclosures.

Cypress Community Assistance Ministries
Notes to Financial Statements
Modified Cash Basis

NOTE 3: CONCENTRATION OF CREDIT RISK

The Organization maintains cash accounts at various banks, which at times, may exceed the Federal Deposit Insurance Corporation's limit. The Organization has not experienced any losses from maintaining cash accounts in excess of the federally insured limit. Management believes that it is not exposed to any significant credit risk on cash accounts, due to the financial strength of the financial institutions where deposits are held.

For the years ended December 31, 2015 and 2014, approximately 30% and 23%, respectively, of the Organizations contributions were from a church.

Note 4: PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost as follows:

<i>December 31,</i>	2015	2014
Land	\$ 775,228	\$ -
Equipment	32,491	32,174
Furniture and fixtures	29,432	29,183
Leasehold improvements	125,175	116,593
Vehicles	24,002	24,002
Less: accumulated depreciation	(119,368)	(104,479)
	\$ 866,960	\$ 97,473

NOTE 5: NOTE PAYABLE

During October 2015, the Organization entered into a note payable agreement with Woodforest National Bank totaling \$575,625 with an annual interest rate of 4.25% per annum to acquire certain real property in Cypress, TX. The loan is collateralized by 3.9 acres of land located in Harris County, Texas. Interest only payments are due monthly through the maturity date of October 15, 2017. On the maturity date, a balloon payment of all outstanding principal plus accrued and unpaid interest is due. The agreement requires the Organization to maintain certain financial (debt service coverage ratio) and non-financial covenants. The Organization was in compliance with all covenants as of December 31, 2015.

Cypress Community Assistance Ministries
Notes to Financial Statements
Modified Cash Basis

NOTE 6: RESTRICTIONS ON NET ASSETS

At December 31 temporarily restricted net assets were available for the following:

<i>December 31,</i>	2015	2014
Capital campaign	\$ 35,000	\$ -
Maintenance of the Food Pantry	3,566	-
	\$ 38,566	\$ -

During the year ended December 31, 2015, temporarily restricted net assets of \$3,434 were released from donor restrictions by satisfying donor restrictions. At December 31, 2014 the organization did not have temporarily restricted net assets.

NOTE 7: LEASE COMMITMENTS

The Organization leases its facilities under non-cancellable operating leases which expire through March 2018. Rent expense totaled \$247,201 and \$260,585 for the years ended December 31, 2015 and 2014, respectively.

Future minimum lease payments required under the leases are as follows:

<i>Year ending December 31,</i>	
2016	\$ 205,364
2017	197,388
2018	42,149
	\$ 444,901