

**Cypress Community  
Assistance Ministries**

**FINANCIAL STATEMENTS –  
MODIFIED CASH BASIS**


**December 31, 2016 and 2015**



**CRI** CARR  
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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, 2016 and 2015 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, 2016 and 2015, 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  
March 29, 2017

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

<i>December 31,</i>	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 138,766	\$ 198,762
Cash and cash equivalents - restricted for capital campaign	79,478	35,000
Certificate of deposit	60,110	-
Prepaid expenses and other assets	3,500	2,700
<b>Total current assets</b>	<b>281,854</b>	<b>236,462</b>
Property and equipment, net	854,305	866,960
<b>Total assets</b>	<b>\$ 1,136,159</b>	<b>\$ 1,103,422</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Property tax payable	\$ -	\$ 9,464
Other accrued liabilities	646	-
Note payable	575,625	-
<b>Total current liabilities</b>	<b>576,271</b>	<b>9,464</b>
Note payable, net of current maturities	-	575,625
<b>Total liabilities</b>	<b>576,271</b>	<b>585,089</b>
Commitments and contingencies		
Net assets		
Unrestricted	476,809	479,767
Temporarily restricted	83,079	38,566
<b>Total net assets</b>	<b>559,888</b>	<b>518,333</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,136,159</b>	<b>\$ 1,103,422</b>

*The accompanying notes 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**

*For the years ended December 31,*

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and revenue</b>						
Contributions	\$ 351,154	\$ 44,513	\$ 395,667	\$ 319,007	\$ 42,000	\$ 361,007
Stores sales, net	957,775	-	957,775	1,021,576	-	1,021,576
Investment and other income	7,596	-	7,596	6,958	-	6,958
Net assets released from restriction	-	-	-	3,434	(3,434)	-
<b>Total revenue and other support</b>	<b>1,316,525</b>	<b>44,513</b>	<b>1,361,038</b>	1,350,975	38,566	1,389,541
<b>Expenses</b>						
Bank and credit card charges	17,831	-	17,831	18,246	-	18,246
Cost of sales, net	11,915	-	11,915	23,221	-	23,221
Client assistance	167,465	-	167,465	114,968	-	114,968
Contract labor	27,511	-	27,511	4,070	-	4,070
Depreciation	12,655	-	12,655	14,889	-	14,889
Equipment	4,380	-	4,380	5,526	-	5,526
Other operating expenses	55,002	-	55,002	52,019	-	52,019
Rent	214,152	-	214,152	247,201	-	247,201
Repairs and maintenance	22,413	-	22,413	41,853	-	41,853
Salaries and wages	681,609	-	681,609	667,669	-	667,669
Supplies	10,588	-	10,588	13,855	-	13,855
Technology support	19,825	-	19,825	24,700	-	24,700
Telephone	12,850	-	12,850	14,068	-	14,068
Interest	24,531	-	24,531	4,089	-	4,089
Utilities	36,756	-	36,756	39,877	-	39,877
<b>Total expenses</b>	<b>1,319,483</b>	<b>-</b>	<b>1,319,483</b>	1,286,251	-	1,286,251
<b>Changes in net assets</b>	<b>(2,958)</b>	<b>44,513</b>	<b>41,555</b>	64,724	38,566	103,290
<b>Net assets, beginning of year</b>	<b>479,767</b>	<b>38,566</b>	<b>518,333</b>	415,043	-	415,043
<b>Net assets, end of year</b>	<b>\$ 476,809</b>	<b>\$ 83,079</b>	<b>\$ 559,888</b>	\$ 479,767	\$ 38,566	\$ 518,333

*The accompanying notes 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>	<b>2016</b>	<b>2015</b>
<b>Operating activities</b>		
Change in net assets	\$ 41,555	\$ 103,290
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	12,655	14,889
Changes in operating liabilities		
Prepays and other assets	(800)	7,300
Property tax payable	(9,464)	9,464
Accrued expenses	646	-
<b>Net cash provided by operating activities</b>	<b>44,592</b>	<b>134,943</b>
<b>Investing activities</b>		
Purchase of certificate of deposit	(60,110)	-
Increase in restricted cash	(44,478)	(35,000)
Purchase of property and equipment	-	(208,751)
<b>Net cash used in investing activities</b>	<b>(104,588)</b>	<b>(243,751)</b>
<b>Net change in cash and cash equivalents</b>	<b>(59,996)</b>	<b>(108,808)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>198,762</b>	<b>307,570</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 138,766</b>	<b>\$ 198,762</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	\$ 24,531	\$ 4,089
<b>Noncash investing and financing activities</b>		
Purchase of property via assumption of debt	\$ -	\$ 575,625

*The accompanying notes 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. Certain modifications to the cash basis of accounting include recognition of property and equipment, note payable as well as depreciation of property and equipment.

***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, 2016 or 2015.

***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.

Cash received from donor restricted contributions for the capital campaign are reported as restricted cash on the statements of assets, liabilities and net assets. Restricted cash is not included with cash and cash equivalents on the statements of cash flows.



**Cypress Community Assistance Ministries**  
**Notes to Financial Statements –**  
**Modified Cash Basis**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Certificate of Deposit***

The Organization's certificate of deposits is held at a financial institution and is recorded at cost which approximates market value.

***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, 2016 and 2015, the Organization purchased \$11,915 and \$23,221, 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 because volunteer services are not recognized when financial statements are prepared on the modified cash basis.

**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 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, 2016 and 2015 totaled \$15,854 and \$14,111, 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, 2016, 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.

***Reclassifications***

Certain 2015 amounts have been reclassified to conform with current year presentation. The reclassifications had no impact on change in net assets.

***Subsequent Events***

The Organization has evaluated subsequent events through the date the financial statements were available for issuance on March 29, 2017. 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, 2016 and 2015, approximately 23% and 30%, 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>	<b>2016</b>	2015
Land	\$ 775,228	\$ 775,228
Equipment	32,491	32,491
Furniture and fixtures	29,432	29,432
Leasehold improvements	125,175	125,175
Vehicles	24,002	24,002
Less: accumulated depreciation	<b>(132,023)</b>	(119,368)
	<b>\$ 854,305</b>	\$ 866,960

**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, 2016 and 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>	<b>2016</b>	2015
Capital campaign	\$ <b>79,513</b>	\$ 35,000
Maintenance of the Food Pantry	<b>3,566</b>	3,566
	<b>\$ 83,079</b>	\$ 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.

**NOTE 7: COMMITMENTS**

***Capital Campaign Commitments***

The Organization is actively raising funds for construction of a new facility. At December 31, 2016, the Organization had commitments totaling \$51,700 for the capital campaign which are to be collected as follows: \$21,400 in 2017, \$29,300 in 2018 and \$1,000 in 2019.

***Leases***

The Organization leases its facilities under non-cancellable operating leases which expire through March 2019. Rent expense totaled \$214,152 and \$247,201 for the years ended December 31, 2016 and 2015, respectively.

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

<i>Year ending December 31,</i>	
2017	\$ 228,138
2018	65,549
2019	7,800
	<b>\$ 301,487</b>