

**Cypress Community
Assistance Ministries**

**FINANCIAL STATEMENTS –
MODIFIED CASH BASIS**

December 31, 2017 and 2016



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Cypress Community Assistance Ministries
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INDEPENDENT AUDITORS' 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, 2017 and 2016 and the related statements of revenue and expenses – 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.

Auditors' 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 auditors' 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, 2017 and 2016, and its 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 16, 2018

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

<i>December 31,</i>	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 222,574	\$ 138,766
Cash and cash equivalents - restricted for capital campaign	19,828	79,478
Certificate of deposit	60,110	60,110
Other assets	3,500	3,500
Total current assets	306,012	281,854
Property and equipment, net	881,412	854,305
Total assets	\$ 1,187,424	\$ 1,136,159
Liabilities and Net Assets		
Current liabilities		
Property tax payable	\$ 5,425	\$ 646
Note payable	-	575,625
Total current liabilities	5,425	576,271
Note payable, net of current maturities	352,635	-
Total liabilities	358,060	576,271
Commitments and contingencies		
Net assets		
Unrestricted	802,487	476,809
Temporarily restricted	26,877	83,079
Total net assets	829,364	559,888
Total liabilities and net assets	\$ 1,187,424	\$ 1,136,159

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

Cypress Community Assistance Ministries
Statements of Revenues and Expenses –
Modified Cash Basis

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<i>For the years ended December 31,</i>						
Support and revenue						
Contributions	\$ 872,153	\$ 23,311	\$ 895,464	\$ 351,154	\$ 44,513	\$ 395,667
Stores sales, net	771,326	-	771,326	957,775	-	957,775
Investment and other income	7,257	-	7,257	7,596	-	7,596
Net assets released from restriction	79,513	(79,513)	-	-	-	-
Total revenue and other support	1,730,249	(56,202)	1,674,047	1,316,525	44,513	1,361,038
Expenses						
Bank and credit card charges	15,664	-	15,664	17,831	-	17,831
Cost of sales, net	-	-	-	11,915	-	11,915
Client assistance	302,489	-	302,489	167,465	-	167,465
Contract labor	39,105	-	39,105	27,511	-	27,511
Depreciation	11,284	-	11,284	12,655	-	12,655
Equipment	4,807	-	4,807	4,380	-	4,380
Other operating expenses	56,308	-	56,308	55,002	-	55,002
Rent	222,233	-	222,233	214,152	-	214,152
Repairs and maintenance	10,004	-	10,004	22,413	-	22,413
Salaries and wages	642,150	-	642,150	681,609	-	681,609
Supplies	15,182	-	15,182	10,588	-	10,588
Technology support	16,375	-	16,375	19,825	-	19,825
Telephone	12,597	-	12,597	12,850	-	12,850
Interest	18,365	-	18,365	24,531	-	24,531
Utilities	38,008	-	38,008	36,756	-	36,756
Total expenses	1,404,571	-	1,404,571	1,319,483	-	1,319,483
Changes in net assets	325,678	(56,202)	269,476	(2,958)	44,513	41,555
Net assets, beginning of year	476,809	83,079	559,888	479,767	38,566	518,333
Net assets, end of year	\$ 802,487	\$ 26,877	\$ 829,364	\$ 476,809	\$ 83,079	\$ 559,888

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

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

<i>For the years ended December 31,</i>	2017	2016
Operating activities		
Change in net assets	\$ 269,476	\$ 41,555
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	11,284	12,655
Changes in operating liabilities		
Prepays and other assets	-	(800)
Property tax payable	4,779	(9,464)
Accrued expenses	-	646
Net cash provided by operating activities	285,539	44,592
Investing activities		
Purchase of certificate of deposit	-	(60,110)
Decrease (increase) in restricted cash	59,650	(44,478)
Purchase of property and equipment	(2,450)	-
Net cash provided by (used in) investing activities	57,200	(104,588)
Financing activities		
Payment on long-term debt	(258,931)	-
Net change in cash and cash equivalents	83,808	(59,996)
Cash and cash equivalents, beginning of year	138,766	198,762
Cash and cash equivalents, end of year	\$ 222,574	\$ 138,766
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 18,365	\$ 24,531
Noncash investing and financing activities		
Purchase of property via assumption of debt	\$ 35,941	\$ -

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, 2017 or 2016.

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 in excess of \$5,000 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, 2017 and 2016, the Organization purchased \$0 and \$11,915, 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, 2017 and 2016 totaled \$15,331 and \$15,854, 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, 2017, 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 March 16, 2018. No matters were identified affecting the accompanying financial statements or related disclosures.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Financial Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Under this ASU, net assets will be presented in two classes: net assets with donor restrictions and net assets without donor restrictions. Disclosures regarding liquidity and availability of resources for general operating expenditures within one year of the date of the statement of assets, liabilities, and net assets – modified cash basis must also be presented. The ASU requires expenses to be presented by both nature and function, and investment return will be presented net of investment expenses. Absent specific donor stipulations, the Organization will use the placed-in-service approach for reporting expirations of restrictions on long-lived assets. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Adoption of this ASU will impact the presentation and disclosures of the Organization’s financial statements.

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, 2017 and 2016, approximately 11% and 23%, respectively, of the Organizations contributions were from a church. In addition, the Organization received significant contributions from two Foundations to provide assistance with Hurricane Harvey which accounted for 19% of total contributions for the year ended December 31, 2017.

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

Note 4: PROPERTY AND EQUIPMENT

Property and equipment are recorded as follows:

<i>December 31,</i>	2017	2016
Land	\$ 775,228	\$ 775,228
Equipment	32,491	32,491
Furniture and fixtures	29,432	29,432
Leasehold improvements	125,174	125,175
Vehicles	24,002	24,002
Construction in progress	38,392	-
	1,024,719	986,328
Less: accumulated depreciation	(143,307)	(132,023)
	\$ 881,412	\$ 854,305

NOTE 5: NOTES 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 were due monthly through the maturity date of October 15, 2017.

In December 2017, the Organization entered into a construction loan agreement with Frost Bank for maximum borrowings of \$2.335 million. Upon closing of the Frost Bank loan, the Woodforest National Bank loan was paid in full and rolled into the new loan. In addition, upon closing, the Organization made cash payment totaling \$258,931. The note has an annual interest rate of 5.25% (prime rate plus 0.75%). Interest only payments are required beginning January 2018 through the conversion date of December 2019. Upon conversion, principal and interest payments will be payable monthly for 25 years. The loan matures in December 2027 when all principal and accrued interest is due. The loan is collateralized by the underlying property and the improvements to be constructed on the property. At December 31, 2017, the outstanding loan totaled \$352,635.

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>	2017	2016
Capital campaign	\$ -	\$ 79,513
Hurricane Harvey	23,311	-
Maintenance of the Food Pantry	3,566	3,566
	\$ 26,877	\$ 83,079

During the year ended December 31, 2017, temporarily restricted net assets of \$79,513 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, 2017, the Organization had commitments totaling \$8,200 for the capital campaign which are to be collected as follows: \$6,000 in 2018, \$1,200 in 2019 and \$800 in 2020.

Construction Commitments

In November 2017, the Organization entered into a construction agreement to build its new facility. The contract is for a not to exceed amount of \$1,725,318. Construction is expected to be substantially complete by February 2019. No amounts were expended under this contract in 2017.

Leases

The Organization leases its facilities under non-cancellable operating leases which expire through March 2019. Rent expense totaled \$222,233 and \$214,152 for the years ended December 31, 2017 and 2016, respectively.

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

NOTE 7: COMMITMENTS (Continued)

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

<i>Year ending December 31,</i>	
2018	\$ 76,948
2019	10,500
	<u>\$ 87,448</u>