

**Cypress Community  
Assistance Ministries**

**FINANCIAL STATEMENTS –  
MODIFIED CASH BASIS**

**December 31, 2018**



**CRI** CARR  
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**Carr, Riggs & Ingram, LLC**  
Two Riverway, 15th Floor  
Houston, TX 77056

(713) 621-8090  
(713) 621-6907 (fax)  
[www.cricpa.com](http://www.cricpa.com)

## **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, 2018 and the related statements of revenue and expenses – modified cash basis, functional expenses –modified cash basis, and cash flows – modified cash basis 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 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 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 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, 2018, and its revenue and expenses, and cash flows for the year 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, 2019

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

<i>December 31,</i>	<b>2018</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 261,799
Cash and cash equivalents - restricted for capital campaign	44,555
Certificate of deposit	60,110
Other assets	3,500
Total current assets	369,964
Property and equipment, net	1,055,358
<b>Total assets</b>	<b>\$ 1,425,322</b>
<b>Liabilities and Net Assets</b>	
Current liabilities	
Property tax payable	\$ 4,317
Note payable	459,395
Total current liabilities	463,712
Total liabilities	463,712
Commitments and contingencies	
Net assets	
Without donor restrictions	858,237
With donor restrictions	103,373
Total net assets	961,610
<b>Total liabilities and net assets</b>	<b>\$ 1,425,322</b>

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

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

<i>For the year ended December 31,</i>	<b>2018</b>		
	Without Donor Restrictions	With Donor Restrictions	<b>Total</b>
<b>Support and revenue</b>			
Contributions	\$ 534,774	\$ 169,645	\$ <b>704,419</b>
Stores sales, net	711,950	-	<b>711,950</b>
Investment and other income	79	-	<b>79</b>
Net assets released from restriction	93,149	(93,149)	-
<b>Total revenue and other support</b>	<b>1,339,952</b>	<b>76,496</b>	<b>1,416,448</b>
<b>Expenses</b>			
Program expenses	1,025,825	-	<b>1,025,825</b>
Supporting services			
Management and general	145,570	-	<b>145,570</b>
Fundraising	112,807	-	<b>112,807</b>
<b>Total expenses</b>	<b>1,284,202</b>	<b>-</b>	<b>1,284,202</b>
<b>Changes in net assets</b>	<b>55,750</b>	<b>76,496</b>	<b>132,246</b>
<b>Net assets, beginning of year</b>	<b>802,487</b>	<b>26,877</b>	<b>829,364</b>
<b>Net assets, end of year</b>	<b>\$ 858,237</b>	<b>\$ 103,373</b>	<b>\$ 961,610</b>

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

**Cypress Community Assistance Ministries**  
**Statement of Functional Expenses –**  
**Modified Cash Basis**

*For the year ended December 31,*

**2018**

	Program Services	Management and General	Fundraising	Total
<b>Expenses</b>				
Bank and credit card charges	\$ 12,236	\$ 765	\$ 2,294	\$ 15,295
Client assistance	202,252			202,252
Contract labor	44,838			44,838
Depreciation	9,523	529	529	10,581
Equipment	4,648	258	258	5,164
Other operating expenses	47,117	19,525	2,618	69,260
Rent	211,190	11,732	11,733	234,655
Repairs and maintenance	14,053			14,053
Salaries and wages	413,875	82,623	90,252	586,750
Supplies	5,279	310	621	6,210
Technology support	16,358	962	1,925	19,245
Telephone	11,787	655	655	13,097
Interest		24,368		24,368
Utilities	32,669	3,843	1,922	38,434
<b>Total expenses</b>	<b>\$ 1,025,825</b>	<b>\$ 145,570</b>	<b>\$ 112,807</b>	<b>\$ 1,284,202</b>

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

**Cypress Community Assistance Ministries**  
**Statement of Cash Flow –**  
**Modified Cash Basis**

<i>For the year ended December 31,</i>	<b>2018</b>
<b>Operating activities</b>	
Change in net assets	\$ 132,246
Adjustment to reconcile change in net assets to net cash provided by operating activities	
Depreciation	10,581
Changes in operating liabilities	
Property tax payable	(1,108)
<b>Net cash provided by operating activities</b>	<b>141,719</b>
<b>Investing activities</b>	
Increase in restricted cash	(24,727)
Purchase of property and equipment	(77,767)
<b>Net cash used in investing activities</b>	<b>(102,494)</b>
<b>Net change in cash and cash equivalents</b>	<b>39,225</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>222,574</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 261,799</b>
<b>Supplemental disclosure of cash flow information:</b>	
Cash paid during the year for interest	\$ 24,368
<b>Noncash investing and financing activities</b>	
Purchase of property via assumption of debt	\$ 106,760

*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.

#### *New Accounting Pronouncement*

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses.

#### *Financial Statement Presentation*

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- Net Assets Without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.
- Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

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

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

***Cash and Cash Equivalents***

For purposes of the statement 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 statement of assets, liabilities and net assets. Restricted cash is not included with cash and cash equivalents on the statement of cash flows.

***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 net assets with donor restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as net assets without donor restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

***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.

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

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

***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.

***Functional Allocation of Expenses***

The costs of providing various program and supporting activities have been summarized on a functional basis in the statement of revenue and expense –modified cash basis and the statement of functional expenses – modified cash basis. Accordingly, costs have been allocated among the program and supporting services benefited if such costs cannot be directly identified with the program or supporting services to which they relate. All natural categories of expenses except client assistance, contract labor and repairs and maintenance, have been allocated among program and supporting services benefited on the basis of estimates of time and effort and usage of space for such activities.

***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 year ended December 31, 2018 totaled \$15,604.

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

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

***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, 2018, 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 29, 2019. No matters were identified affecting the accompanying financial statements or related disclosures not otherwise disclosed in Notes 6 and 8.

**NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization manages its liquidity by operating within a prudent range of financial stability and maintaining adequate liquidity to fund near-term operations.

At December 31, 2018, the Organization's financial assets available to meet general expenditures within one (1) year of the statement of assets, liabilities and net assets – modified cash basis date totaled \$321,909.

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

**NOTE 4: 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 year ended December 31, 2018, approximately 11%, of the Organizations contributions were from a church and 14% from a Foundation. The funds from the Foundation were to provide client assistance for Hurricane Harvey impacted individuals.

**NOTE 5: PROPERTY AND EQUIPMENT**

Property and equipment are recorded as follows:

<i>December 31,</i>	<b>2018</b>
Land	\$ 773,682
Equipment	42,491
Furniture and fixtures	29,432
Leasehold improvements	125,174
Vehicles	24,002
Construction in progress	214,465
	1,209,246
Less: accumulated depreciation	(153,888)
	\$ 1,055,358

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

**NOTE 6: NOTE PAYABLE**

In December 2017, the Organization entered into a construction loan agreement with a bank for maximum borrowings of \$2.335 million. Upon closing of the bank loan, the previous bank loan was paid in full and rolled into the new loan. In addition, upon closing in December 2017, 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, 2018, the outstanding loan totaled \$459,395.

On February 27, 2019, the bank notified the Organization that due to specified events of default based on terms of the construction loan agreement that no further advances of funds under the agreement will occur. The bank has not given formal notice that the loan is immediately due and payable. While the Organization is working with other creditors to refinance the debt, no agreement has been reached as of the date of issuance of the financial statements. Accordingly, the note payable balance has been reported as a current liability as of December 31, 2018 in the accompanying statement of assets, liabilities, and net assets – modified cash basis.

**NOTE 7: RESTRICTIONS ON NET ASSETS**

At December 31 net assets with donor restrictions were available for the following:

<i>December 31,</i>	<b>2018</b>
Capital campaign	\$ 44,555
Client service	11,752
Hurricane Harvey	43,500
Maintenance of the Food Pantry	3,566
	<b>\$ 103,373</b>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes and totaled \$93,149 as of December 31, 2018.

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

**NOTE 8: COMMITMENTS**

***Construction Commitments***

In November 2017, the Organization entered into a construction agreement to build its new facility. The contract was for a not to exceed amount of \$1,725,318. As of December 31, 2018, the Organization had expended \$110,505 under this contract and retainage withheld under the contract totaled \$11,050.

***Leases***

The Organization leases its facilities under non-cancellable operating leases which expire through May 2019. Rent expense totaled \$234,655 for the year ended December 31, 2018. In March 2019, the Organization negotiated extensions of its operating leases through March 2020. Future minimum lease payments required under the operating leases, including the extensions, are as follows:

<i>Year ending December 31,</i>	
2019	\$ 241,670
2020	60,040
	<u>\$ 301,710</u>