

WICHITA FALLS FAITH MISSION, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019



WICHITA FALLS FAITH MISSION, INC.
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2020 AND 2019

CONTENTS

Independent Auditor's Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-16
Supplemental Schedules:	
Schedules of Activities by Cost Center	17-20
Schedules of Functional Expenses by Cost Center	21-22



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wichita Falls Faith Mission, Inc.
Wichita Falls, Texas

We have audited the accompanying financial statements of Wichita Falls Faith Mission, Inc. (the Mission), a nonprofit corporation, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows 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 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 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 financial position of Wichita Falls Faith Mission, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

MWH Group, P.C.

MWH GROUP, P.C.

Wichita Falls, Texas
September 21, 2020

WICHITA FALLS FAITH MISSION, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$ 1,335,008	\$ 1,018,714
Investments	-	450
Accounts receivable	28,848	15,774
Current portion of long-term notes receivable	2,854	6,269
Inventory	24,727	24,727
Land held for sale	17,200	17,200
Prepaid expenses and other	25,051	25,206
Total current assets	<u>1,433,688</u>	<u>1,108,340</u>
Note receivable, less current portion	-	30,202
Property and equipment, net	<u>4,181,229</u>	<u>4,123,381</u>
Total assets	<u><u>\$ 5,614,917</u></u>	<u><u>\$ 5,261,923</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 27,513	\$ 22,608
Current portion of capital lease	1,658	2,135
Deferred compensation agreement	-	21,579
Other accrued liabilities	55,356	48,067
Refundable grant	10,000	-
Total current liabilities	<u>94,527</u>	<u>94,389</u>
Noncurrent liabilities:		
Capital lease, less current portion	-	1,530
Deferred compensation agreement, less current portion	-	26,936
Total noncurrent liabilities	<u>-</u>	<u>28,466</u>
Total liabilities	<u>94,527</u>	<u>122,855</u>
Net assets:		
Without donor restrictions	5,445,222	5,067,126
With donor restrictions	75,168	71,942
Total net assets	<u>5,520,390</u>	<u>5,139,068</u>
Total liabilities and net assets	<u><u>\$ 5,614,917</u></u>	<u><u>\$ 5,261,923</u></u>

The accompanying notes are an integral part of these financial statements.

WICHITA FALLS FAITH MISSION, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Contributions	\$ 2,306,771	\$ 36,965	\$ 2,343,736
Special events	183,255	-	183,255
Conditional grant	231,400	-	231,400
Interest income	12,582	-	12,582
Oil and gas royalties	151	-	151
Miscellaneous revenue	64,121	-	64,121
Sales	802,701	-	802,701
Less: cost of sales	(598,523)	-	(598,523)
Net assets released from restrictions	33,739	(33,739)	-
Total revenues and support	3,036,197	3,226	3,039,423
Expenses:			
Program services	2,205,637	-	2,205,637
Administrative	146,320	-	146,320
Fundraising	269,082	-	269,082
Total expenses before losses	2,621,039	-	2,621,039
Loss on the disposal of assets	37,062	-	37,062
Total expenses	2,658,101	-	2,658,101
Change in net assets	378,096	3,226	381,322
Net assets at beginning of year	5,067,126	71,942	5,139,068
Net assets at end of year	\$ 5,445,222	\$ 75,168	\$ 5,520,390

The accompanying notes are an integral part of these financial statements.

WICHITA FALLS FAITH MISSION, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Contributions	\$ 1,956,111	\$ 30,066	\$ 1,986,177
Special events	350,685	-	350,685
Interest income	10,061	-	10,061
Oil and gas royalties	892	-	892
Miscellaneous revenue	9,535	-	9,535
Sales	731,203	-	731,203
Less: cost of sales	(545,937)	-	(545,937)
Net assets released from restrictions	<u>14,328</u>	<u>(14,328)</u>	<u>-</u>
Total revenues and support	<u>2,526,878</u>	<u>15,738</u>	<u>2,542,616</u>
Expenses:			
Program services	1,901,480	-	1,901,480
Administrative	149,971	-	149,971
Fundraising	<u>225,513</u>	<u>-</u>	<u>225,513</u>
Total expenses	<u>2,276,964</u>	<u>-</u>	<u>2,276,964</u>
Change in net assets	249,914	15,738	265,652
Net assets at beginning of year, as reported	<u>4,817,212</u>	<u>56,204</u>	<u>4,873,416</u>
Net assets at end of year	<u><u>\$ 5,067,126</u></u>	<u><u>\$ 71,942</u></u>	<u><u>\$ 5,139,068</u></u>

The accompanying notes are an integral part of these financial statements.

WICHITA FALLS FAITH MISSION, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	Administrative	Fundraising	Total
Auto and truck	\$ 43,729	\$ -	\$ -	\$ 43,729
Christmas gift	1,775	-	-	1,775
Contract labor	1,719	-	-	1,719
Depreciation	208,177	16,344	4,086	228,607
Employee benefits	74,853	10,352	1,204	86,409
Food	242,962	-	-	242,962
Insurance	69,885	3,755	1,183	74,823
Kitchen supplies	13,656	-	-	13,656
Membership dues and fees	4,536	-	390	4,926
Office and miscellaneous	73,200	4,227	13,719	91,146
Payroll taxes	86,687	5,753	4,796	97,236
Postage and printing	700	165	3,569	4,434
Professional fees	240	13,000	-	13,240
Program gift	43,351	-	-	43,351
Promotional	163	-	118,347	118,510
Repair and maintenance	146,913	11,818	2,954	161,685
Salaries	1,011,486	72,162	45,709	1,129,357
Specific assistance	7,363	-	-	7,363
Special events	-	-	62,982	62,982
Special projects	1,373	-	-	1,373
Supplies	13,979	-	-	13,979
Training and travel	5,882	317	2,120	8,319
Capital campaign	-	-	5,916	5,916
Utilities	153,008	8,427	2,107	163,542
Totals	<u>\$ 2,205,637</u>	<u>\$ 146,320</u>	<u>\$ 269,082</u>	<u>\$ 2,621,039</u>

The accompanying notes are an integral part of these financial statements.

WICHITA FALLS FAITH MISSION, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	Administrative	Fundraising	Total
Auto and truck	\$ 42,443	\$ -	\$ -	\$ 42,443
Christmas gift	1,260	-	-	1,260
Contract labor	5,845	-	-	5,845
Depreciation	205,155	27,436	4,221	236,812
Employee benefits	46,385	7,900	1,569	55,854
Food	205,301	-	-	205,301
Insurance	59,541	5,318	919	65,778
Kitchen supplies	15,905	-	-	15,905
Membership dues and fees	4,629	575	250	5,454
Office and miscellaneous	59,668	4,544	10,820	75,032
Payroll taxes	75,647	4,525	3,629	83,801
Postage and printing	679	-	5,784	6,463
Professional fees	-	12,400	-	12,400
Program gift	28,715	-	-	28,715
Promotional	6,085	-	119,827	125,912
Repair and maintenance	125,608	16,615	2,556	144,779
Salaries	867,096	57,538	37,821	962,455
Specific assistance	13,756	-	-	13,756
Special events	-	-	32,046	32,046
Supplies	11,122	-	-	11,122
Training and travel	4,372	305	4,099	8,776
Utilities	122,268	12,815	1,972	137,055
Totals	<u>\$ 1,901,480</u>	<u>\$ 149,971</u>	<u>\$ 225,513</u>	<u>\$ 2,276,964</u>

The accompanying notes are an integral part of these financial statements.

WICHITA FALLS FAITH MISSION, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 381,322	\$ 265,652
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	228,607	236,812
Other donated assets	(89,557)	-
Gain on disposition of deferred compensation liability	(31,305)	-
Loss on disposal of assets	37,062	-
(Increase) decrease in assets:		
Receivables	(18,936)	(9,334)
Prepaid expenses	155	(5,896)
Increase (decrease) in liabilities:		
Accounts payable	4,905	8,179
Deferred compensation agreement	(17,210)	(20,275)
Other accrued liabilities	7,289	2,340
Net cash provided by operating activities	<u>502,332</u>	<u>477,478</u>
Cash flows from investing activities:		
Purchase of property and equipment	(226,358)	(191,399)
Payments on capital lease	(2,007)	(3,552)
Proceeds from sale of investments	450	50
Collections on note receivable	31,877	6,856
Net cash used by investing activities	<u>(196,038)</u>	<u>(188,045)</u>
Cash flows from financing activities:		
Proceeds from loans	10,000	-
Net cash provided by investing activities	<u>10,000</u>	<u>-</u>
Net increase in cash and cash equivalents	316,294	289,433
Cash and cash equivalents at beginning of year	<u>1,018,714</u>	<u>729,281</u>
Cash and cash equivalents at end of year	<u>\$ 1,335,008</u>	<u>\$ 1,018,714</u>

The accompanying notes are an integral part of these financial statements.

WICHITA FALLS FAITH MISSION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Wichita Falls Faith Mission, Inc. (the Mission) is an independent nonprofit corporation whose operating facility and administrative offices are located at 1300 Travis Street, Wichita Falls, Texas. The Mission provides food, clothing, lodging, and shares the "Good News of the Gospel of Jesus Christ" with needy, transient, and indigent individuals and families in the Wichita Falls area. The Wichita Falls Faith Mission receives no government funding and relies on private donations of money, food, clothing, household items, etc. from the public.

Through its two shelters, Faith Mission for men and families and Faith Refuge for women and children, Wichita Falls Faith Mission, Inc. provides Christ-centered programs and services that lead the homeless toward self-sufficiency. Both shelters are open 24 hours per day, 7 days per week and all our programs and services are free of charge. They provide emergency shelter services, case management services, addiction recovery programs, job readiness programs and transitional supportive housing.

Wichita Falls Faith Mission has two social enterprises programs, Faith Resale & Donation Center (thrift store) and Faith Enterprises (lawn maintenance and tree trimming company). Both programs are used to train men and women the skills that are necessary in order to be employed after they leave Wichita Falls Faith Mission.

Basis of Presentation

The financial statements of the Mission have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Mission to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Mission's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Mission or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

WICHITA FALLS FAITH MISSION, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) JUNE 30, 2020 AND 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Cash and Cash Equivalents

For financial reporting purposes, the Mission considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Inventory

Inventory consists of donated apparel and other items and is recorded as contributions and as inventory in the period received at fair market value or net realizable value.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets, as follows:

Buildings and improvements	10 to 30 years
Vehicles, furniture, and fixtures	3 to 10 years

Donated Land, Equipment, Materials, and Services

Contributions of services and materials are recognized in the accompanying financial statements in accordance with FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*. If the services received enhance or create non-financial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donation.

Income Taxes

The Mission is qualified as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code of 1986 and therefore, has no provision for federal income tax.

Functional Classification of Expenses

Directly identifiable expenses are charged to program services, administrative, and fundraising functions. Expenses related to more than one function are charged to each function on the basis of periodic time and expense studies. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Mission. A description of the Mission's functions is provided below:

- Program Services

The Mission provides food, clothing, lodging, financial assistance, addiction counseling, and shares the "Good News of the Gospel of Jesus Christ" with needy, transient, and indigent individuals and families in the Wichita Falls area. Management believes that approximately 90% of pertinent non-direct expenses are related to this function.

WICHITA FALLS FAITH MISSION, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.)

JUNE 30, 2020 AND 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

- Administrative

The Administration program provides occupancy and administrative services to the Mission. Management believes that approximately 8% of pertinent non-direct expenses are related to this function.

- Fundraising

The Mission engages in a number of fundraising activities, including rallies with praise and worship, food drives, mail solicitations, Night in a Box, Decorator Show House, and Faith in the Falls. Contributions to the Mission are received from the general public. Management believes that approximately 2% of pertinent non-direct expenses are related to this function.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as net assets with donor restrictions. When a restriction expires, 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.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accrued Compensated Absences

The Mission's policy for compensated absences for vacation and sick leave allows for accumulated hours earned monthly based on years of service. An employee may accumulate up to 96 hours of vacation each year and is to be paid for unused vacation time upon separation from service. The total dollar amount of unpaid vacation, which is accrued and included in other accrued liabilities, was \$22,221 and \$20,407 as of June 30, 2020 and 2019, respectively.

An employee may earn up to 64 hours of sick time in a year, but any unused sick time cannot be carried over to future periods. Sick leave benefits are forfeited at the date of employee termination. No liability has been recorded on the books of the Mission relative to sick leave benefits. It is considered remote that the entire contingent liability will be paid; furthermore, the probable amount of sick leave compensation expected to be paid in the future cannot be reasonably estimated.

WICHITA FALLS FAITH MISSION, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2020 AND 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Advertising

The Mission uses advertising to solicit donations and promote special events. The costs of advertising are expensed as incurred. During the years ended June 30, 2020 and 2019, advertising costs totaled \$118,510 and \$125,912, respectively.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Donated Goods

The majority of the food distributed by the Mission is received by contributions from the general public, and local businesses. The estimated value of these contributions, which is determined to be \$1.67 per pound for 2019 and 2020, is recognized in the financial statements as contribution revenue and program expense. The Mission received \$148,475 and \$138,856 in donated food for the years ended June 30, 2020 and 2019, respectively. The Refuge received \$83,722 and \$56,915 in donated food for the years ended June 30, 2020 and 2019.

Purchased food is expensed at cost. Unlike donated food, there is no revenue associated with the purchased food. However, a majority of the food purchases are funded by cash contributions that are restricted for a particular distribution program.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Mission adopted this standard on July 1, 2019.

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The changes required by this update were implemented during the year ended June 30, 2019, and were applied retrospectively to all periods presented.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The guidance in this update will be effective for the Mission's 2021 fiscal year. Management has not yet evaluated the impact of this update on the consolidated financial statements.

WICHITA FALLS FAITH MISSION, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) JUNE 30, 2020 AND 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Date of Management's Evaluation

Management has evaluated subsequent events through September 21, 2020, the date on which the financial statements were available to be issued.

Note 2 - LIQUIDITY AND AVAILABILITY

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,335,008	\$ 1,018,714
Accounts receivable	28,848	15,774
Investments	-	450
Current portion of long-term notes receivable	<u>2,854</u>	<u>6,269</u>
	<u>\$ 1,366,710</u>	<u>\$ 1,041,207</u>

As part of the liquidity management plan, they invest cash in excess of daily requirements in short-term investments and money market funds.

Note 3 - FINANCIAL INSTRUMENTS

Concentration of Credit Risk for Cash Held in Banks

The Mission maintains bank accounts with several institutions. The accounts held at the bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2020 and 2019, the Mission's cash accounts exceeded the FDIC insurance threshold by \$131,637 and \$198,804.

Fair Value

Management has determined the carrying amounts of the Mission's cash and cash equivalents, accounts receivable, accounts payable, inventory, and other accrued liabilities approximate their fair value.

WICHITA FALLS FAITH MISSION, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.)

JUNE 30, 2020 AND 2019

Note 4 - PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Major classifications of property and equipment at June 30, 2019 and 2018 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Property and equipment not being depreciated:		
Land	\$ 261,285	\$ 238,959
Property and equipment being depreciated:		
Building and improvements	6,004,460	5,817,980
Furniture and fixtures	689,915	769,224
Vehicles and equipment	<u>122,450</u>	<u>136,371</u>
Total property and equipment being depreciated	6,816,825	6,723,575
Less accumulated depreciation	<u>(2,896,881)</u>	<u>(2,839,153)</u>
Total property and equipment being depreciated, net	<u>3,919,944</u>	<u>3,884,422</u>
Total property and equipment, net	<u>\$ 4,181,229</u>	<u>\$ 4,123,382</u>

Depreciation expense was \$228,607 and \$236,812 for 2020 and 2019, respectively.

Note 5 - CAPITAL LEASE

The Mission entered into a capital lease on April 14, 2017, for a Kubota commercial mower. The lease requires monthly payments of \$167 and expires in April 2021.

These commitments provide for minimum future lease payments as of June 30, 2020 as follows:

<u>Year ending June 30,</u>	
2021	<u>1,672</u>
Total future minimum lease payments	1,672
Less: amount representing interest	<u>(-)</u>
Total future minimum lease payments	<u>\$ 1,672</u>

The carrying value of the equipment purchased under capital lease is \$7,032 at June 30, 2020.

Note 6 - DEFERRED COMPENSATION AGREEMENT

Effective August 20, 2001, a deferred compensation plan for the former Executive Director and former Marketing Director was adopted by action of the Board of Directors. The plan requires that on the first day of the month immediately following the retirement or death of the former Executive Director, and on the first day of each month thereafter during the joint lifetimes of the former Executive Director and the former Marketing Director, the Mission will pay the former Executive Director and the former Marketing Director, or the survivor of them, the total sum of \$2,000 per month. This Deferred Compensation Agreement was entered into for and in consideration of the years of service given to the Mission. Effective January 1, 2007 the former Executive Director retired.

WICHITA FALLS FAITH MISSION, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.)

JUNE 30, 2020 AND 2019

Note 6 - DEFERRED COMPENSATION AGREEMENT (CONT'D.)

Total payments under this arrangement for fiscal years 2020 and 2019 were \$20,000 and \$24,000, respectively. In May 2020, the remaining survivor passed away. As a result, no future payments are expected under this agreement. The remaining liability at the time of death of \$31,305 was recognized as miscellaneous income. No such agreements have been extended to any other employees of the Mission, nor does the Mission intend to enter into such agreements in the future.

Note 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for a specific purpose:		
Medical and dental care – for clients	\$ 60,802	\$ 53,108
Transitional Support	9,966	5,775
Client supplies and gifts	-	1,620
Capital projects	<u>4,400</u>	<u>11,439</u>
Total	<u>\$ 75,168</u>	<u>\$ 71,942</u>

Note 8 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors during the years June 30, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Medical and dental care – for clients	\$ 17,305	\$ 11,834
Transitional Support	5,774	1,532
Client supplies and gifts	1,620	-
Capital projects	<u>9,040</u>	<u>962</u>
	<u>\$ 33,739</u>	<u>\$ 14,328</u>

Note 9 - FAITH RESALE SALES

Sales for Faith Resale were \$611,386 and \$581,842 for the years ended June 30, 2020 and 2019, respectively. Sales are shown net of applicable sales taxes.

Note 10 - OIL AND GAS MINERAL INTEREST

In 1987, the Mission received a donation of an overriding royalty interest in an oil and gas mineral lease located in Webster Parish, Louisiana.

Royalties received are included as unrestricted revenue in the accompanying financial statements. The \$8,756 original appraised value of the asset has been fully amortized and is included in the Mission's property and equipment.

WICHITA FALLS FAITH MISSION, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) JUNE 30, 2020 AND 2019

Note 11 - CONDITIONAL GRANT

During the year ended June 30, 2020, the Mission received a Paycheck Protection Program (PPP) loan in the amount of \$231,400 under the Small Business Administration due to the pandemic described in Note 14. Upon receipt, the Mission recorded the PPP loan proceeds as a financial liability. The proceeds were to remain a liability until either (1) the loan is in part or wholly, forgiven, or (2) the loan is paid off by the Mission. When part or all of the loan is forgiven, then the liability is reduced by the amount of forgiveness and a corresponding gain on extinguishment is recorded. Management believes there is reasonable assurance that the entire amount will be forgiven under guidance set forth by the Coronavirus Aide, Relief, and Economic Security (CARES) Act. Therefore, the entire amount is recorded as a conditional grant within these financial statements.

Note 12 - CONCENTRATIONS

Faith Mission operates in Wichita Falls, Texas. Therefore, support and revenue is dependent on economic conditions in that area.

Note 13- RETIREMENT PLAN

The Mission has in place a Savings Incentive Match Plan for Employees (SIMPLE). A SIMPLE plan is a defined contribution plan where an employee may defer up to \$11,500 per year in compensation. The Mission will match up to 3% of the employee's salary. SIMPLE matching expense was \$9,059 and \$7,215 for 2020 and 2019, respectively.

Note 14 – PANDEMIC

The COVID-19 outbreak in the United States has created economic uncertainties that may impact future operations. The extent of the impact on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on Mission's clients and employees, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Mission's financial condition or results of operations is uncertain.

SUPPLEMENTAL SCHEDULES

WICHITA FALLS FAITH MISSION, INC.

SCHEDULE OF ACTIVITIES BY COST CENTER FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions					
	Faith Mission	Faith Resale	Faith Refuge	Academy	Faith Enterprises	Total
Revenues and support:						
Contributions	\$ 1,397,183	\$ 598,523	\$ 311,065	\$ -	\$ -	\$ 2,306,771
Special events	11,354	-	171,901	-	-	183,255
Conditional grant	231,400	-	-	-	-	231,400
Interest income	12,582	-	-	-	-	12,582
Oil and gas royalties	151	-	-	-	-	151
Miscellaneous revenue	47,358	-	8,882	-	7,881	64,121
Sales	-	611,386	-	-	191,315	802,701
Less: cost of sales	-	(598,523)	-	-	-	(598,523)
Net assets released from restrictions	17,678	-	16,061	-	-	33,739
Total revenues and support	1,717,706	611,386	507,909	-	199,196	3,036,197
Expenses:						
Program services	801,667	437,900	792,086	29,791	144,193	2,205,637
Administrative	68,845	-	77,475	-	-	146,320
Fundraising	133,462	-	135,620	-	-	269,082
Total expenses before losses	1,003,974	437,900	1,005,181	29,791	144,193	2,621,039
Loss on the disposal of assets	37,062	-	-	-	-	37,062
Total expenses	1,041,036	437,900	1,005,181	29,791	144,193	2,658,101
Change in net assets	\$ 676,670	\$ 173,486	\$ (497,272)	\$ (29,791)	\$ 55,003	\$ 378,096

With Donor Restrictitons

Faith Mission	Faith Refuge	Academy	Faith Enterprises	Total	Total
\$ 12,500	\$ 24,465	\$ -	\$ -	\$ 36,965	\$ 2,343,736
-	-	-	-	-	183,255
-	-	-	-	-	231,400
-	-	-	-	-	12,582
-	-	-	-	-	151
-	-	-	-	-	64,121
-	-	-	-	-	802,701
-	-	-	-	-	(598,523)
(17,678)	(16,061)	-	-	(33,739)	-
(5,178)	8,404	-	-	3,226	3,039,423
-	-	-	-	-	2,205,637
-	-	-	-	-	146,320
-	-	-	-	-	269,082
-	-	-	-	-	2,621,039
-	-	-	-	-	37,062
-	-	-	-	-	2,658,101
\$ (5,178)	\$ 8,404	\$ -	\$ -	\$ 3,226	\$ 381,322

WICHITA FALLS FAITH MISSION, INC.

SCHEDULE OF ACTIVITIES BY COST CENTER FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions					
	Faith Mission	Faith Resale	Faith Refuge	Academy	Faith Enterprises	Total
Revenues and support:						
Contributions	\$ 1,168,328	\$ 545,957	\$ 241,826	\$ -	\$ -	\$ 1,956,111
Special events	143,136	-	207,549	-	-	350,685
Interest income	10,061	-	-	-	-	10,061
Oil and gas royalties	892	-	-	-	-	892
Miscellaneous revenue	9,535	-	-	-	-	9,535
Sales	-	581,842	-	-	149,361	731,203
Less: cost of sales	-	(545,937)	-	-	-	(545,937)
Net assets released from restrictions	4,970	-	9,358	-	-	14,328
Total revenues and support	1,336,922	581,862	458,733	-	149,361	2,526,878
Expenses:						
Program services	706,893	365,159	664,312	35,080	130,036	1,901,480
Administrative	69,013	-	80,958	-	-	149,971
Fundraising	111,837	-	113,676	-	-	225,513
Total expenses	887,743	365,159	858,946	35,080	130,036	2,276,964
Change in net assets	\$ 449,179	\$ 216,703	\$ (400,213)	\$ (35,080)	\$ 19,325	\$ 249,914

With Donor Restrictions					
Faith Mission	Faith Refuge	Academy	Faith Enterprises	Total	Total
\$ 13,539	\$ 16,526	\$ -	\$ -	\$ 30,065	\$ 1,986,176
-	-	-	-	-	350,685
-	-	-	-	-	10,061
-	-	-	-	-	892
-	-	-	-	-	9,535
-	-	-	-	-	731,203
-	-	-	-	-	(545,937)
(4,970)	(9,358)	-	-	(14,328)	-
8,569	7,168	-	-	15,737	2,542,615
-	-	-	-	-	1,901,480
-	-	-	-	-	149,971
-	-	-	-	-	225,513
-	-	-	-	-	2,276,964
<u>\$ 8,569</u>	<u>\$ 7,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,737</u>	<u>\$ 265,651</u>

WICHITA FALLS FAITH MISSION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES BY COST CENTER FOR THE YEAR ENDED JUNE 30, 2020

	Program Services						Total	Administrative	Fundraising	Total
	Faith Mission	Faith Resale	Faith Refuge	Academy	Faith Enterprises	Faith				
Auto and truck	\$ 13,008	\$ 6,819	\$ 2,475	\$ -	\$ 21,427	\$ 43,729	\$ -	\$ -	\$ -	\$ 43,729
Christmas gift	1,065	256	385	-	69	1,775	-	-	-	1,775
Contract labor	-	1,719	-	-	-	1,719	-	-	-	1,719
Depreciation	26,862	16,095	157,008	156	8,056	208,177	16,344	4,086	-	228,607
Employee benefits	37,168	13,877	22,241	44	1,523	74,853	10,352	1,204	-	86,409
Food	156,185	-	86,777	-	-	242,962	-	-	-	242,962
Insurance	21,792	14,280	18,748	1,218	13,847	69,885	3,755	1,183	-	74,823
Kitchen supplies	10,695	-	2,961	-	-	13,656	-	-	-	13,656
Membership dues and fees	2,268	-	2,268	-	-	4,536	-	390	-	4,926
Office and miscellaneous	30,670	23,990	13,180	785	4,575	73,200	4,227	13,719	-	91,146
Payroll taxes	25,278	23,482	28,097	1,907	7,923	86,687	5,753	4,796	-	97,236
Postage and printing	480	-	110	110	-	700	165	3,569	-	4,434
Professional fees	-	-	240	-	-	240	13,000	-	-	13,240
Program gift	18,879	-	21,191	3,281	-	43,351	-	-	-	43,351
Promotional	-	163	-	-	-	163	-	-	-	-
Repair and maintenance	73,312	5,494	59,623	-	8,484	146,913	11,818	118,347	-	118,510
Salaries	321,968	274,661	329,803	22,271	62,783	1,011,486	72,162	2,954	-	161,685
Specific assistance	3,111	-	4,252	-	-	7,363	-	45,709	-	1,129,357
Special events	-	-	-	-	-	-	-	-	-	7,363
Special projects	1,373	-	-	-	-	-	-	62,982	-	62,982
Supplies	-	-	-	-	-	1,373	-	-	-	1,373
Training and travel	1,995	404	3,483	-	13,979	13,979	-	-	-	13,979
Capital campaign	-	-	-	-	-	5,882	317	2,120	-	8,319
Utilities	55,558	56,660	39,244	19	-	-	8,427	5,916	-	5,916
					1,527	153,008		2,107		163,542
Totals	\$ 801,667	\$ 437,900	\$ 792,086	\$ 29,791	\$ 144,193	\$ 2,205,637	\$ 146,320	\$ 269,082	\$ -	\$ 2,621,039

WICHITA FALLS FAITH MISSION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES BY COST CENTER FOR THE YEAR ENDED JUNE 30, 2019

	Program Services						Fundraising	Total
	Faith Mission	Faith Resale	Faith Refuge	Academy	Faith Enterprises	Total		
Auto and truck	\$ 11,031	\$ 8,773	\$ 6,040	\$ -	\$ 16,599	\$ 42,443	\$ -	\$ 42,443
Christmas gift	1,135	-	125	-	-	1,260	-	1,260
Contract labor	-	5,825	20	-	-	5,845	-	5,845
Depreciation	33,263	17,942	146,128	162	7,660	205,155	4,221	236,812
Employee benefits	24,010	8,524	13,888	19	(56)	46,385	1,569	55,854
Food	145,921	-	59,380	-	-	205,301	-	205,301
Insurance	18,670	12,535	15,329	952	12,055	59,541	919	65,778
Kitchen supplies	11,325	-	4,580	-	-	15,905	-	15,905
Membership dues and fees	2,979	-	1,650	-	-	4,629	-	4,629
Office and miscellaneous	22,538	17,784	11,350	3,281	4,715	59,668	250	62,443
Payroll taxes	23,240	19,452	23,747	2,244	6,964	75,647	10,820	86,467
Postage and printing	629	-	-	50	-	679	3,629	4,308
Professional fees	-	-	-	-	-	-	5,784	5,784
Program gift	11,047	-	14,235	-	-	25,282	-	25,282
Promotional	-	5,959	-	2,929	504	9,392	-	9,392
Repair and maintenance	57,988	9,100	50,650	38	88	117,864	119,827	237,691
Salaries	283,419	219,819	277,240	35	7,835	780,348	2,556	782,904
Specific assistance	5,146	-	8,610	25,370	61,248	99,374	37,821	137,195
Supplies	-	-	-	-	-	-	-	-
Training and travel	613	2,277	1,482	-	11,122	15,494	-	15,494
Utilities	53,939	37,169	29,858	-	-	121,066	4,099	125,165
Totals	\$ 706,893	\$ 365,159	\$ 664,312	\$ 35,080	\$ 130,036	\$ 1,901,480	\$ 225,513	\$ 2,126,993