

Irving Cares Inc.

Financial Statements

March 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Irving Cares Inc.
Irving, Texas

We have audited the accompanying financial statements of Irving Cares Inc. (the "Organization"), which comprise the statements of financial position as of March 31, 2018 and 2017, 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 Irving Cares Inc. as of March 31, 2018 and 2017, 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.

Emphasis of Matter

As part of our audit of the 2018 financial statements, the net assets of the previously issued financial statements have been restated for the correction of a material misstatement in the prior period. The correction of this misstatement resulted in an adjustment to net assets as of March 31, 2017 of \$35,238. The impact of this correction is reflected in the statement of financial position and is further described in Note 10 of the notes to the financial statements. In our opinion, such adjustments have been properly applied.

Armanino LLP

Armanino^{LLP}
Dallas, Texas

March 28, 2019

Irving Cares Inc.
Statements of Financial Position
March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 154,506	\$ 235,727
Inventories	38,380	58,806
Prepaid expenses and other assets	<u>4,841</u>	<u>6,433</u>
Total current assets	197,727	300,966
Property and equipment, net	<u>35,870</u>	<u>41,893</u>
Total assets	<u>\$ 233,597</u>	<u>\$ 342,859</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 5,620	\$ 4,788
Accrued expenses	<u>53,304</u>	<u>70,930</u>
Total current liabilities	<u>58,924</u>	<u>75,718</u>
Net assets		
Unrestricted	(46,469)	(33,299)
Temporarily restricted	<u>221,142</u>	<u>300,440</u>
Total net assets	<u>174,673</u>	<u>267,141</u>
Total liabilities and net assets	<u>\$ 233,597</u>	<u>\$ 342,859</u>

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

Irving Cares Inc.
Statement of Activities
For the Years Ended March 31, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and support:						
Contributions						
Financial assistance	\$ -	\$ 180,976	\$ 180,976	\$ -	\$ 109,949	\$ 109,949
Contributions-in-kind	-	889,837	889,837	-	715,147	715,147
Food pantry	-	121,726	121,726	-	90,943	90,943
Employment services	-	33,137	33,137	-	47,366	47,366
General program	-	33,750	33,750	-	81,250	81,250
General and management	390,162	15,000	405,162	354,726	-	354,726
Special events	420,700	-	420,700	348,278	-	348,278
Total contributions	810,862	1,274,426	2,085,288	703,004	1,044,655	1,747,659
Interest and other	130	-	130	112	-	112
Net assets released from restriction	1,353,724	(1,353,724)	-	1,126,286	(1,126,286)	-
Total revenues, gains and other support	2,164,716	(79,298)	2,085,418	1,829,402	(81,631)	1,747,771
Functional expenses						
Program services	1,785,817	-	1,785,817	1,501,928	-	1,501,928
Management and general	150,644	-	150,644	151,241	-	151,241
Fundraising	241,425	-	241,425	244,945	-	244,945
Total functional expenses	2,177,886	-	2,177,886	1,898,114	-	1,898,114
Change in net assets	(13,170)	(79,298)	(92,468)	(68,712)	(81,631)	(150,343)
Net assets (deficit), beginning of year	(33,299)	300,440	267,141	35,413	382,071	417,484
Net assets (deficit), end of year	\$ (46,469)	\$ 221,142	\$ 174,673	\$ (33,299)	\$ 300,440	\$ 267,141

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

Irving Cares Inc.
Statement of Functional Expenses
For the Years Ended March 31, 2018 and 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Employee compensation								
Salaries	\$ 455,953	\$ 86,452	\$ 116,963	\$ 659,368	\$ 460,466	\$ 87,786	\$ 137,231	\$ 685,483
Employee health & retirement benefits	3,202	784	2,043	6,029	13,297	3,181	3,238	19,716
Total employee compensation	459,155	87,236	119,006	665,397	473,763	90,967	140,469	705,199
Financial assistance housing	123,277	-	-	123,277	94,287	-	-	94,287
Financial assistance utilities	63,813	-	-	63,813	53,798	-	-	53,798
Financial assistance other	610	-	-	610	1,345	-	-	1,345
Financial assistance prescriptions	1,430	-	-	1,430	995	-	-	995
Food purchases	133,670	-	-	133,670	90,749	-	-	90,749
Distribution of food	817,763	-	-	817,763	632,260	-	-	632,260
Employment assistance	21,534	-	-	21,534	15,210	-	-	15,210
Professional services	-	22,995	-	22,995	-	18,900	-	18,900
Maintenance	15,436	8,013	290	23,739	6,390	375	78	6,843
Equipment rental	9,237	1,043	1,043	11,323	10,389	1,143	1,143	12,675
Technology	9,340	-	6,748	16,088	7,955	6,621	3,576	18,152
Rent	76,500	10,801	2,700	90,001	60,095	8,484	2,121	70,700
Events & programs	-	-	99,407	99,407	-	-	84,124	84,124
Conferences, conventions, networking	1,600	295	200	2,095	727	400	395	1,522
Education	925	1,636	369	2,930	1,005	388	1,464	2,857
Subscriptions	-	-	841	841	35	(51)	3,212	3,196
Travel	637	-	-	637	676	1,401	8	2,085
Dues	2,637	405	775	3,817	2,015	111	381	2,507
Insurance	6,760	5,478	668	12,906	12,630	7,613	646	20,889
Graphic design	944	345	681	1,970	1,780	425	879	3,084
Telephone	6,306	744	765	7,815	7,172	879	1,079	9,130
Office supplies	4,465	736	552	5,753	2,588	286	323	3,197
Printing	8,771	1,998	4,692	15,461	5,534	2,247	3,700	11,481
Postage	(962)	594	1,962	1,594	2,642	665	658	3,965
Depreciation	15,312	889	708	16,909	14,112	828	658	15,598
Miscellaneous & other	6,657	7,436	18	14,111	3,776	9,559	31	13,366
	<u>\$ 1,785,817</u>	<u>\$ 150,644</u>	<u>\$ 241,425</u>	<u>\$ 2,177,886</u>	<u>\$ 1,501,928</u>	<u>\$ 151,241</u>	<u>\$ 244,945</u>	<u>\$ 1,898,114</u>

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

Irving Cares Inc.
Statements of Cash Flows
For the Years Ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ (92,468)	\$ (150,343)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	16,909	15,598
Contribution of property and equipment	-	(3,600)
Changes in operating assets and liabilities		
Pledges receivable	-	30,000
Inventories	20,426	(8,758)
Prepaid expenses and other assets	1,592	5,878
Accounts payable	832	(4,337)
Accrued expenses	(17,626)	50,265
Net cash used in operating activities	<u>(70,335)</u>	<u>(65,297)</u>
Cash flows from investing activities		
Purchases of property and equipment	<u>(10,886)</u>	<u>(14,750)</u>
Net cash used in investing activities	<u>(10,886)</u>	<u>(14,750)</u>
Net decrease in cash	(81,221)	(80,047)
Cash, beginning of year	<u>235,727</u>	<u>315,774</u>
Cash, end of year	<u>\$ 154,506</u>	<u>\$ 235,727</u>

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

Irving Cares Inc.
Notes to Financial Statements
March 31, 2018 and 2017

1. NATURE OF OPERATIONS

Irving Cares, Inc. (the Organization), a voluntary health and welfare organization, was formed in the state of Texas in 1957 to perform acts of charity by providing assistance to needy and destitute families and dependent neglected children. Assistance is provided to Irving residents in the form of financial assistance, food, prescriptions, job searches, and information and referral. The Organization is primarily supported by fund-raising activities and donors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, support, and expenses during the reporting periods. Significant estimates made in preparing the financial statements include allocation of functional expenses, and valuation of donated foods. Accordingly, actual results may vary from management's estimates.

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets of the Organization are classified and reported as follows:

- *Unrestricted net assets*: net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.
- *Temporarily restricted net assets*: net assets subject to donor-imposed stipulations that may be, or will be, met by the occurrence of a specific event or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions and other assets limited to specific uses by donor-imposed restrictions are reported as temporarily restricted net assets even if the restrictions are met in the same period the contributions and other assets are recognized.
- *Permanently restricted net assets*: net assets subject to donor-imposed stipulations to be maintained in perpetuity by the Organization. The Organization had no permanently restricted net assets at March 31, 2018, or during the year then ended.

Cash and cash equivalents

The Organization considers all highly-liquid investments with maturities of three months or less, when purchased, to be cash equivalents. Cash equivalents as of the years ended March 31, 2018 and 2017, consisted of money market accounts.

Irving Cares Inc.
Notes to Financial Statements
March 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledges receivable

The Organization maintains receivables due from various contributors. An allowance for doubtful accounts is established through a provision for bad debts, charged to expense, and represents management's best estimate of possible losses that may occur within the pledges receivable portfolio. There were no estimated losses charged to bad debt expense during the years ended March 31, 2018 and 2017, and no allowance for doubtful accounts was required as of March 31, 2018 and 2017, respectively.

Contributions

Unconditional promises to give by donors are recorded as pledges receivable and contribution revenue when promises are made or donated items are received, and are immediately available for unrestricted use unless specifically restricted by the donor. Unconditional promises expected to be collected within one year are recorded at net realizable value. Unconditional promises expected to be collected in future years are recorded at their fair values.

Conditional promises to give are recognized when the conditions on which such promises depend are substantially met.

Donated materials and contributed services

Donated materials are recorded in the accompanying financial statements as contribution revenue with offsetting as capitalized assets until the donated materials are distributed at which time they are expensed. The donated materials are valued at their estimated fair value at the date of receipt using industry standard pricing values.

The Organization received food donations of approximately \$797,000 and \$641,000 for the years ended March 31, 2018 and 2017, respectively. The Organization received free rent of approximately \$93,000 and \$71,000 for the years ended March 31, 2018 and 2017, respectively. The Organization received fixed assets of approximately \$3,600 for the year ended March 31, 2017 and no donated fixed assets for the year ended March 31, 2018.

Contributed services are reflected in the financial statements at the estimated fair value of the services received if they (a) create or enhance nonfinancial assets or (b) require and are provided by individuals with specialized skills and, if not provided by donation, would typically need to be purchased. For the years ended March 31, 2018 and 2017, there were no contributed services recorded.

Irving Cares Inc.
Notes to Financial Statements
March 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment is carried at cost, if purchased, or fair value at the date of gift, if donated. The Organization capitalizes all donations of and expenditures for property and equipment in excess of \$1,000. Upon retirement or sale, the cost of assets disposed of, and the related accumulated depreciation, are removed from the accounts and any resulting gain or loss is recorded as other income. Repairs and maintenance costs are expensed as incurred. Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the assets which range from four to ten years.

Federal income taxes

Irving Cares, Inc. is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent the entity has unrelated business income. The Organization did not have any taxable unrelated business income during the years ended March 31, 2018 and 2017.

Fair value of financial instruments

The Organization's financial instruments consist of cash and cash equivalents and pledges receivable. These financial instruments are stated at cost, which approximates fair value due to the short-term nature of the assets.

Functional allocation of expenses

The costs of providing the various programs and supporting services have been summarized in the statements of activities and functional expenses. Accordingly, certain functional costs have been allocated among the programs and supporting services benefited.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of March 31:

	<u>2018</u>	<u>2017</u>
Computers and equipment	\$ 175,992	\$ 168,708
Office equipment	51,300	51,300
Transportation equipment	<u>10,957</u>	<u>27,690</u>
	238,249	247,698
Less accumulated depreciation	<u>(202,379)</u>	<u>(205,805)</u>
	<u>\$ 35,870</u>	<u>\$ 41,893</u>

Irving Cares Inc.
Notes to Financial Statements
March 31, 2018 and 2017

3. PROPERTY AND EQUIPMENT (continued)

Depreciation expense for the years ended March 31, 2018 and 2017 was \$16,909 and \$15,598, respectively.

4. RETIREMENT PLAN

The Organization offers its employees participation in a SIMPLE (Savings Incentive Match Plan for Employees) IRA plan. All employees with at least \$5,000 in compensation are eligible. Employees may contribute up to \$14,000, based on age, per year, and the Organization will make a contribution of up to 3% of the employee's compensation. The Organization's contribution expense was approximately \$14,000 for each of the years ended March 31, 2018 and 2017, respectively.

5. COMMITMENTS AND CONTINGENCIES

As of November 13, 2014, The City Council of the City of Irving, Texas agreed to waive the lease payments for the Organization, in consideration of assistance for not less than 10,000 City of Irving residents per year. The previous lease agreement was terminated and lease payments ceased immediately. The lease for the building was extended for the Organization for an additional five year term, through August 1, 2021, with no lease payments due through that date. Because the space has a rental value of approximately \$90,000 annually, based on the original rental agreement with the Organization and the City of Irving, this rental waiver will be considered an in-kind contribution in the amount of approximately \$90,000 for rent waived from April 1, 2017 through March 31, 2018 and approximately 70,700 for rent waived from April 1, 2016 through March 31, 2017.

The Organization currently leases certain office equipment under non-cancelable operating leases. Total expense related to the lease of this equipment through the fiscal year end was approximately \$10,000 and \$8,000 for the years ended March 31, 2018 and 2017, respectively. Future minimum lease payments totaling approximately \$38,000 are due through fiscal year 2022 under the lease agreement; approximately \$10,000 is due in fiscal year 2018 through fiscal year 2021 and \$8,000 due in fiscal year 2022.

6. CONCENTRATIONS OF CREDIT RISK

Financial instruments exposed to concentrations of credit risk consisted primarily of cash, cash equivalents, and pledges receivable. The Organization did not incur, and does not anticipate incurring, losses related to these balances.

There were no donor organizations that contributed 10% or more during the year ended March 31, 2018 and 2017.

Irving Cares Inc.
Notes to Financial Statements
March 31, 2018 and 2017

7. RELATED PARTY

For the years ended March 31, 2018 and 2017, the Organization received contributions of approximately \$45,650 and \$44,700, respectively, from employees of the Organization and members of the board of directors of the Organization. These amounts are included in contribution revenue in the accompanying statement of activities.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>2018</u>	<u>2017</u>
Financial assistance	\$ 90,193	\$ 87,425
Food pantry and other	<u>130,949</u>	<u>213,015</u>
	<u>\$ 221,142</u>	<u>\$ 300,440</u>

Temporarily restricted net assets released from restriction during the year were as follows:

	<u>2018</u>	<u>2017</u>
Financial assistance	\$ 178,208	\$ 158,881
Food pantry	992,617	752,418
Rent	90,000	70,700
Employment assistance	51,672	61,593
Specific expenses	7,477	1,444
Management and general	<u>33,750</u>	<u>81,250</u>
	<u>\$ 1,353,724</u>	<u>\$ 1,126,286</u>

9. PRIOR PERIOD ADJUSTMENT

The prior period net assets have been restated related to the policy that requires accrual of paid time off for the Organization's employees. Management has determined that the Organization's policy allows for employees to carry over accumulated paid time off and therefore an additional liability should be established in the amount of \$35,238 as of March 31, 2017. The previously stated accrued expenses as of March 31, 2017, were \$35,692 and previously stated total net assets as of March 31, 2017, were \$302,379. The restated accrued expenses as of March 31, 2017, were \$70,930 and restated total net assets as of March 31, 2017, were \$267,141.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 28, 2019, the date the financial statements were available to be issued.