

ATTACK POVERTY

Financial Statements for the Year Ended June 30, 2016



ATTACK POVERTY

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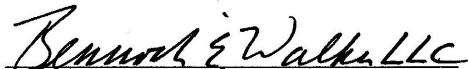
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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors of
Attack Poverty
Richmond, Texas

Management is responsible for the accompanying financial statements of Attack Poverty (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.



Bennoch & Walker LLC
Certified Public Accountants
Houston, Texas

November 30, 2016

ATTACK POVERTY
STATEMENT OF FINANCIAL POSTION
AS OF JUNE 30, 2016

ASSETS

Cash and cash equivalents	\$ 154,015
Property and equipment, net	1,159,960
Other assets	<u>280</u>

TOTAL ASSETS \$ 1,314,255

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 25,636
Notes payable	172,131
Other liabilities	<u>669</u>
Total Liabilities	<u>198,436</u>

Net Assets

Unrestricted	<u>1,115,819</u>
Total Net Assets	<u>1,115,819</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,314,255

ATTACK POVERTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

UNRESTRICTED

Public Support and Revenue

Contributions	\$ 909,188
Special fundraising events	
Less: costs of direct benefit to donor	37,311
Gifts in kind	12,449
Gain from insurance proceeds	19,024
Interest income	18
Other income	<u>2,576</u>
 Total Public Support and Revenues	 <u>980,566</u>
 Expenses	
Program Services	<u>721,661</u>
Total Program Services	<u>721,661</u>
 Supporting Services:	
Management and general	231,843
Fundraising	<u>128,040</u>
Total Supporting Services	<u>359,883</u>
 Total Expenses	 <u>1,081,544</u>
 Change in Net Assets	 (100,978)
 Net Assets, Beginning of Year	 <u>1,216,797</u>
 Net Assets, End of Year	 <u><u>\$ 1,115,819</u></u>

See independent accountant's compilation report and accompanying notes

ATTACK POVERTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Cash Flows From Operating Activities

Change in net assets	<u>\$ (100,978)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	58,917
Change in operating assets and liabilities	
Prepaid expenses	900
Other assets	-
Accounts payable	14,975
Other liabilities	<u>(725)</u>
Net Cash from Operating Activities	<u>(26,911)</u>

Cash Flows from Financing Activities

Payments on long-term debt	<u>(5,869)</u>
Net Cash from Financing Activities	<u>(5,869)</u>

Net Change in Cash and Cash Equivalents (32,780)

Cash and Cash Equivalents, Beginning of Year 186,795

Cash and Cash Equivalents, End of Year \$ 154,015

Supplemental Disclosure of Cash Flow Information

Cash paid for interest \$ 6,256

ATTACK POVERTY
STATEMENT OF FUNCTIONAL EXPENSES
AS OF JUNE 30, 2016

	Program	Supporting Services		2016 Total
		Management & General	Fundraising	
Advertising, marketing and development	\$ 2,724	\$ -	\$ 1,816	\$ 4,540
Benevolence	461	-	-	461
Charitable contributions	28,774	-	-	28,774
Depreciation	39,474	12,373	7,070	58,917
Dues and subscriptions	1,736	3,949	299	5,984
Employee benefits	53,023	14,461	12,854	80,338
Events	21,850	-	5,808	27,658
Fees	2,036	11,533	3,392	16,961
Food and refreshments	13,363	422	281	14,066
Fundraising	-	-	15,382	15,382
Insurance	7,855	8,509	-	16,364
Interest expense	4,192	1,314	751	6,257
Lease contracts	7,077	12,049	-	19,126
Licenses, permits and user fees	1,107	-	-	1,107
Meals and travel	34,198	1,503	1,879	37,580
Miscellaneous	-	2,922	-	2,922
Printing, copying and postage	4,016	951	317	5,284
Professional services	8,507	18,111	823	27,441
Recognition and gifts	2,444	793	66	3,303
Repairs and maintenance	12,217	-	-	12,217
Salaries	409,887	128,472	73,413	611,772
Software	276	35	35	346
Supplies - medical	5,243	-	-	5,243
Supplies - ministry	36,788	-	-	36,788
Supplies - office	-	7,531	-	7,531
Training	4,364	631	263	5,258
Utilities	20,049	6,284	3,591	29,924
TOTAL EXPENSES	\$ 721,661	\$ 231,843	\$ 128,040	\$ 1,081,544

See independent accountant's compilation report and accompanying notes

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business – Attack Poverty (the “Organization”), a Texas nonprofit organization, was created to partner with the local church to adopt pockets of poverty and launching what are called: “Friends Initiatives”. The organization brings together communities of resource with communities of need. The Friends Initiatives are long-term partnerships with local churches, residents and stakeholders who are committed to community transformation. Additional, initiatives include: in-school student support, after school programs, literacy, GED completion, job readiness training and home repair.

The Organization is supported through contributions received from individuals, corporations, and foundations.

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation – The Organization’s financial statements are presented in accordance with Financial Accounting Standards Board’s (FASB) Accounting Standards Codification (ASC) 958-205-45-4, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205-45-4, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – These are resources that are not subject to donor-imposed stipulations and can be used for the general operations of the Organization. As of June 30, 2016, the Organization had \$1,115,819 of unrestricted resources.

Temporarily restricted net assets – These are resources that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. The Organization did not have any temporarily restricted net assets as of June 30, 2016.

Permanently restricted net assets – These are resources that are subject to donor restrictions requiring that the principal be held in perpetuity and any income thereon be used by the Organization. The Organization did not have any permanently restricted net assets as of June 30, 2016.

Generally, grants are recognized as revenues when earned. Grants that operate on a reimbursement basis are recognized on the accrual basis as revenues only to the extent of disbursements and commitments that are allowable for reimbursement. Revenues from contributions, donations and other sources are recognized as unrestricted or temporarily restricted revenues when received or unconditionally promised by a third party. Revenues from special events are recognized when the events are held. Interest income is recognized when

ATTACK POVERTY
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2016

earned based on passage of time. Program income and other income are recognized when received.

Contributions and Promises to Give – In accordance with FASB ASC 958-605-45-3, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give cash or other assets are not recognized as revenues until received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions were recognized. All other donor-restricted contributions would be reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a 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.

The Organization uses the allowance method to determine uncollectible grants and promises to give receivable. The allowance is based on management's analysis of specific promises made.

Contributed Services and Facilities – The Organization recognizes contributed services at their fair value if the services provide value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors, as established by FASB ASC 958-605-25-26.

Donations – Donations are recorded as contributions at fair value at the date of donation. Such donations are reported as unrestricted net assets unless the donor has restricted the donated assets to a specific purpose.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as restricted by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Cash and Cash Equivalents – The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from the date of purchase to be cash and cash equivalents. The carrying values of any cash and cash equivalents are deemed to approximate their fair values because of the short maturities of those financial instruments.

Property and Equipment – The Organization capitalizes all expenditures for property and equipment in excess of \$1,500. Purchased property and equipment are carried at cost. Donated

ATTACK POVERTY
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2016

property and equipment are carried at fair value at the date of donation. Property and equipment items are depreciated using the straight-line method on their estimated useful lives ranging from 5 to 30 years. Maintenance and repairs are charged to operations when incurred. Major improvements and renewals that extend the life of the asset are capitalized.

Functional Allocation of Expenses – Expenses are categorized in the Statement of Activities as program services, fundraising and management and general. The Organization’s expenses are allocated on a functional basis among these benefited categories.

Program service expenses include direct and indirect (allocated) expenses for the various programs offered by the Organization. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses, that are common to several functions, are allocated to program services by various reasonable bases.

Fundraising expenses represent cost incurred in connection with fundraising efforts. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes – The Organization is a nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (“Code”) and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization did not conduct any unrelated business activities in the current fiscal year. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements.

The Organization applies the provisions of FASB ASC Topic 740, *Income Taxes*, (formerly FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109*), which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

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 certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. The significant estimates included in the financial statements are the estimates of useful lives used for depreciating property and equipment items.

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NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2016

Fair Value of Financial Instruments – In accordance with accounting principles generally accepted in the United States of America, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date (exit price). Accounting principles generally accepted in the United States of America characterize inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs represent quoted prices in active markets for identical assets or liabilities (for example, exchange-traded commodity derivatives).

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (for example, quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets or liabilities in markets not considered to be active, inputs other than quoted prices that are observable for the asset or liability, or market corroborated inputs).

Level 3 - Inputs that are not observable from objective sources, such as the Organization's internally developed assumptions about market participant assumptions used in pricing an asset or liability (for example, an estimate of future cash flows used in the Organization's internally developed present value of future cash flows model that underlies the fair value measurement).

Cash and Cash Equivalents held by the Organization as of June 20, 2016 were Level 1.

Advertising Expense – Advertising costs are expensed as incurred and amounted to \$4,540 for the year ended June 30, 2016.

Fundraising Expense – Fundraising costs are expensed as incurred and amounted to 15,382 for the year ended June 30, 2016.

NOTE 2 – CONCENTRATIONS

All of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount (\$250,000), for each deposit insurance ownership category.

The Organization maintains its cash balances in one financial institution. These balances are insured by the FDIC up to \$250,000. As of June 30, 2016, the Organization was not exposed to any custodial credit risk.

The Organization has 2 significant donors that account for forty-three percent (43%) of the Organization's revenue.

ATTACK POVERTY
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2016

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Building and improvements	1,121,227
Furniture and fixtures	58,447
	<u>1,220,080</u>
Less: accumulated depreciation	<u>(60,120)</u>
Property and equipment, net	<u>\$ 1,159,960</u>

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NOTE 4 – NOTES PAYABLE

Long-term debt consists of the following:

Note payable to a bank, secured by real property, improvements, furniture, fixtures and equipment. In July 2015, the Organization renegotiated the terms of the note to a variable rate with a maximum interest rate of 4.5% through July 16, 2020 and a maximum rate of prime + 1 through July 16, 2025. The Payments are due in consecutive monthly installments of \$1,102 per month, including interest, final

\$ 172,131

Total Notes Payable

\$ 172,131

The long-term debt is expected to mature as follows:

<u>Year ending June 30,</u>	
2017	\$ 6,001
2018	6,262
2019	6,532
2020	6,798
2021	7,110
Thereafter	<u>139,428</u>
Total	<u><u>\$ 172,131</u></u>

Interest expense related to long-term debt totaled \$6,257 for the year ended June 30, 2016.

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NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2016

NOTE 5 – LEASE COMMITMENTS

The organization leases certain buildings and office equipment under operating leases. Lease expense totaled \$19,126 for the year ended June 30, 2016. Future minimum lease payments for these operating leases are as follows:

<u>Year ending June 30,</u>		
2017		\$ 4,000
Thereafter		-
Total		<u>\$ 4,000</u>

NOTE 6 – 403(b) SALARY REDUCTION PLAN

The Organization is the Custodian in a Section 403(b) salary reduction plan established under the "Custodial Account Agreement" of IRS Code Section 403(b)(7). The plan covers all employees working over 20 hours a week and participation is voluntary. The Organization may at its discretion make employer contributions to the plan.

NOTE 7 – CONTIGENCIES

The Organization holds a Note Payable with South Trust Bank with a scheduled maturity date of July 16, 2025 at which time the unpaid principle balance is due and payable.

NOTE 8 – GAIN FROM FLOOD DAMAGE

During the year ended June 30, 2016, the organization experienced flood damage to its office. Proceeds from the organization's insurance coverage amounted to \$35,065. During the year, repair expenses from the flood damage amounted to \$16,040, resulting in a gain of \$19,024.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2016; the date financial statements were available to be issued. No change to the financial statements for the year ended June 30, 2016 is deemed necessary as a result of this evaluation.