ATTACK POVERTY

Financial Statements for the Year Ended June 30, 2019
(with comparative totals for 2018)

Bennoch & Tipton LLC
CERTIFIED PUBLIC ACCOUNTANTS

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Bennoch & Tipton LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Attack Poverty
Richmond, Texas

We have audited the accompanying financial statements of Attack Poverty (a nonprofit organization) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows 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 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 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 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.

Emphasis of Matter
As discussed in *Note 14* to the financial statements, the 2018 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Attack Poverty as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Summarized Financial Statements

The 2018 summarized financial statements were reviewed by us and our report thereon, dated July 25, 2019, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements. The summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

Bennoch & Tipton LLC

Bennoch & Tipton LLC
Certified Public Accountants
Houston, Texas

March 25, 2020

Attack Poverty

Statement of Financial Position

As of June 30, (with comparative totals for 2018)	**Audited 2019**	Reviewed 2018
Assets		
Cash and cash equivalents	**$ 1,378,833**	$ 980,401
Prepaid expenses	**12,154**	12,514
Grants and pledges receivable	**3,121,271**	300,000
Property and equipment, net	**1,274,651**	1,137,241
Other assets	**5,897**	6,120
Total Assets	**$ 5,792,806**	$ 2,436,276
Liabilities and Net Assets		
Liabilities		
Accounts payable	**$ 23,822**	$ 100,669
Notes payable	**151,095**	158,040
Other liabilities	**23,796**	3,706
Total Liabilities	**198,713**	262,415
Net Assets		
Without donor restrictions	**1,415,182**	1,573,177
With donor restrictions	**4,178,911**	600,684
Total Net Assets	**5,594,093**	2,173,861
Total Liabilities and Net Assets	**$ 5,792,806**	$ 2,436,276

Attack Poverty

Statement of Activities

Year ended June 30, *(with comparative totals for 2018)*	Without Donor Restrictions	With Donor Restrictions	**Audited 2019 Total**	Reviewed 2018 Total
Public Support and Revenues				
Contributions	$ 1,148,468	$ 6,469,787	**$ 7,618,255**	$ 4,059,440
Special fundraising events				
Special fundraising events revenue	136,236	-	**136,236**	47,921
Cost of direct benefit to donor	(35,687)	-	**(35,687)**	(1,031)
Net special fundraising events revenue	100,549	-	**100,549**	46,890
Gifts in kind	-	-	**-**	12,514
Rental income	15,588	-	**15,588**	-
Merchanise sales	13,399	-	**13,399**	-
Interest income	690	-	**690**	170
Other income	4,930	-	**4,930**	4,564
Net assets released from restrictions	2,891,560	(2,891,560)	**-**	-
Total Public Support and Revenues	4,175,184	3,578,227	**7,753,411**	4,123,578
Expenses:				
Program Services:				
Program General	1,438,973	-	**1,438,973**	1,020,787
Disaster Recovery	2,038,682	-	**2,038,682**	1,427,569
Adult Services	51,060	-	**51,060**	54,498
Child Services	119,981	-	**119,981**	106,711
Community Revitalization	102,784	-	**102,784**	11,530
Total Program Services	3,751,480	-	**3,751,480**	2,621,095
Supporting Services:				
Management and general	283,048	-	**283,048**	353,227
Fundraising	298,651	-	**298,651**	158,750
Total Supporting Services	581,699	-	**581,699**	511,977
Total Expenses	4,333,179	**-**	**4,333,179**	3,133,072
Change in Net Assets	(157,995)	3,578,227	**3,420,232**	990,506
Net Assets, Beginning of Year (as restated)	1,573,177	600,684	**2,173,861**	1,183,355
Net Assets, End of Year	$ 1,415,182	$ 4,178,911	**$ 5,594,093**	$ 2,173,861

Attack Poverty

Statement of Functional Expenses

Year ended June 30, *(with comparative totals for 2018)*	Program Services: Program General	Program Services: Disaster Recovery	Program Services: Adult Services	Program Services: Child Services	Program Services: Community Revitalization	Program Services: Total Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	**Audited 2019 Total**	Reviewed 2018 Total
Salaries and Related Expenses											
Salaries	$ 769,552	$ 340,961	$ 44,824	$ 68,245	$ 43,266	$ 1,266,848	$ 182,295	$ 105,496	$ 287,791	**$ 1,554,639**	$ 1,062,350
Employee benefits	87,944	39,175	1,447	6,488	4,753	139,807	10,639	7,650	18,289	**158,096**	104,840
Total Salaries and Related Expenses	857,496	380,136	46,271	74,733	48,019	1,406,655	192,934	113,146	306,080	**1,712,735**	1,167,190
Other Expenses											
Advertising, marketing and development	11,869	12,352	-	-	1,453	25,674	13	14,458	14,471	**40,145**	10,668
Benevolence	5,021	4,265	433	200	1,200	11,119	-	-	-	**11,119**	8,586
Depreciation	95,963	-	-	-	-	95,963	-	-	-	**95,963**	51,608
Dues and subscriptions	16,177	894	-	202	52	17,325	14,347	39,287	53,634	**70,959**	9,771
Events	-	146	-	-	-	146	-	7,154	7,154	**7,300**	42,965
Fees	-	-	-	-	-	-	-	-	-	**-**	13,002
Food and refreshments	2,768	2,264	401	1,787	8,311	15,531	868	-	868	**16,399**	9,514
Insurance	13,775	12,101	155	189	176	26,396	6,634	1,281	7,915	**34,311**	23,833
Interest expense	6,282	-	-	-	-	6,282	-	-	-	**6,282**	6,615
Lease contracts	63,840	36,745	-	-	366	100,951	16,302	5,326	21,628	**122,579**	49,340
Meals and travel	39,274	5,845	88	37	9,101	54,345	4,230	4,526	8,756	**63,101**	37,782
Miscellaneous	-	-	-	-	-	-	13,188	-	13,188	**13,188**	1,334
Printing, copying and postage	3,910	1,506	-	-	248	5,664	1,259	722	1,981	**7,645**	7,002
Professional services	116,846	6,595	-	3,408	10,918	137,767	14,218	85,583	99,801	**237,568**	103,117
Recognition and gifts	3,392	186	213	205	352	4,348	513	565	1,078	**5,426**	7,736
Repairs and maintenance	5,245	17,947	-	-	20	23,212	3,998	3,484	7,482	**30,694**	13,073
Software	192	176	-	-	-	368	211	50	261	**629**	298
Supplies - medical	-	-	-	-	-	-	-	-	-	**-**	5,500
Supplies - ministry	142,435	1,537,052	3,444	39,168	22,556	1,744,655	7,602	20,366	27,968	**1,772,623**	1,510,097
Supplies - office	10,956	6,481	55	52	12	17,556	3,642	1,297	4,939	**22,495**	12,400
Training	11,093	3,492	-	-	-	14,585	234	754	988	**15,573**	3,696
Utilities	32,439	10,499	-	-	-	42,938	2,855	652	3,507	**46,445**	37,945
Total Other Expenses	581,477	1,658,546	4,789	45,248	54,765	2,344,825	90,114	185,505	275,619	**2,620,444**	1,965,882
Total Expenses	$ 1,438,973	$ 2,038,682	$ 51,060	$ 119,981	$ 102,784	$ 3,751,480	$ 283,048	$ 298,651	$ 581,699	**$ 4,333,179**	$ 3,133,072

Attack Poverty

Statement of Cash Flows

Year Ended June 30, (with comparative totals for 2018)	**Audited 2019**	Reviewed 2018
Cash Flows From Operating Activities		
Change in net assets	**$ 3,420,232**	$ 778,078
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	**95,963**	51,608
Changes in assets and liabilities:		
Prepaid expenses	**360**	(8,712)
Grants and pledges receivable	**(2,821,271)**	-
Other assets	**223**	(5,840)
Accounts payable	**(76,847)**	(15,797)
Other liabilities	**20,090**	2,546
Total Adjustments	**(2,781,482)**	23,805
Net Change in Operating Activities	**638,750**	801,883
Cash Flows From Investing Activities		
Additions to property and equipment	**(233,373)**	(77,317)
Net Change in Investing Activities	**(233,373)**	(77,317)
Cash Flows From Financing Activities		
Payments on long-term debt	**(6,945)**	(6,612)
Net Change in Financing Activities	**(6,945)**	(6,612)
Net Change in Cash and Cash Equivalents	**398,432**	717,954
Cash and Cash Equivalents, beginning of year	**980,401**	262,447
Cash and Cash Equivalents, end of year	**$ 1,378,833**	$ 980,401

Supplemental disclosure of cash flow information:

Interest paid	**$ 6,282**	$ 6,615

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

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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 of Locations". The organization brings together communities of resource with communities of need. The "Friends of Locations" 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.

The costs of providing the various programs and other activities are shown in the accompanying statement of functional expenses. The following programs and supporting services are included in the accompanying financial statements:

Program General – The Organization has served many people through medical clinics, pastor conferences, mercy ministries and job creation. There are multiple Friends' communities that are powered by the organization:

1. Friends of North Richmond located in Richmond, Texas, USA
2. Friends of Uganda located in Rushere, Uganda, Africa
3. Friends of Sundown located in Katy, Texas, USA
4. Friends of North Rosenberg located in Rosenberg, Texas, USA
5. Friends of Northside located in Houston, Texas, USA.
6. Friends of India
7. Friends of Asia
8. Mercy Goods (Social Enterprise)

Disaster Recovery – This program is empowering residents to lead their own recovery by teaching them to read contractor quotes and manage a personal recovery project, while advocating for residents needing additional funds where a financial gap is found.

Adult Services – Through this program the Organization has had many adults empowered through adult programs such as GED, jobs for life, ESL, computer classes, case management and bible studies.

Child Services – The Organization has had many kids enrolled through the after-school program, many kids impacted through summer kids camp, holiday programs, mentoring relationships and bible studies.

Community Revitalization – This program includes home repairs and community clean ups. Many people have been impacted through community events and engagement efforts.

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.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in it corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity.

The Organization's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly-liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

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 fair value at the date of donation. Depreciation is computed 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.

Revenue Recognition

Revenue and Revenue Recognition
Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Revenue with and without Donor Restrictions
Contributions that are restricted by the donor are reported 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. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. Otherwise, donor restrictions on contributions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets with donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Contributed Services
The Organization receives a substantial amount of services donated by volunteers in carrying out the Organization's programs. Contributions of services are recognized as support at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. No amounts have been reflected in the financial statements for those services because they do not meet the criteria for recognition.

Donated Assets
Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation

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.

Investments and Fair Value of Financial Instruments

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

(i) Level 1—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

(ii) Level 2—Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

(iii) Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

At June 30, 2019 and 2018, cash and cash equivalents held by the Organization of $1,378,833 and $980,401, respectively, were reported at fair value using a Level 1 measure.

Advertising Expense

Advertising costs are expensed as incurred. Advertising expenses for the year ended June 30, 2019 and 2018 were $40,145 and $10,668, respectively.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Functional Allocation of Expense

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of time and effort. 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.

NOTE 2 – CONCENTRATION OF CREDIT RISKS

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 cash balances at a financial institution located in Texas. At June 30, 2019 and 2018, the Organization had approximately $1,230,410 and $162,480, respectively, of cash balances that were not insured by the FDIC.

NOTE 3 – PROPERTY AND EQUIPMENT

As of June 30, 2019 and 2018, property and equipment consisted of the following:

	2019	2018
Land	$40,406	$40,406
Buildings	1,233,398	1,121,227
Furniture and equipment	134,115	90,549
Other improvements	45,214	45,214
Vehicles	77,637	-
Subtotal property and equipment	1,530,770	1,297,396
Less: accumulated depreciation	(256,119)	(160,155)
Total property and equipment, net	**$1,274,651**	**$1,137,241**

Depreciation expense charged to operations for the year ended June 30, 2019 and 2018 was $95,963 and $51,608 respectively.

NOTE 4 – GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable are summarized as follows:

	2019	2018
American National Red Cross	$170,000	$-
Capital Campaign	500,000	-
Ft. Bend Recovers	1,162,394	-
Global Giving	75,000	-
Rebuild Texas	450,000	-
United Way of Greater Houston	763,877	300,000
Total Grants and Pledges Receivable	**$3,121,271**	**$300,000**

Grants and pledges receivable either currently due or due in less than 1-year amounts to $2,796,271. Grants and pledges receivable due greater than 1-year amounts to $325,000. The present value of cash flows from grants and pledges receivable does not vary significantly from the stated value; therefore, no discount has been recorded.

NOTE 5 – NOTE PAYABLE

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, with a final payment of the remaining principal and interest due July 16, 2026. As of June 30, 2019, the balance of the note payable was $151,095.

The future maturities of long-term debt are as follows:

2020	$6,223
2021	7,110
2022	7,418
2023	7,739
2024	8,061
Thereafter	114,544
Total	**$151,095**

Interest expense for the years ended June 30, 2019 and 2018 was $6,282 and $6,615 respectively.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2019 and 2018 are restricted for the following purposes or periods:

Purpose restrictions, available for spending:	**2019**	**2018**
United Way – Disaster Recovery	$91,783	$164,561
United Way – Restoration	83,549	136,123
Capacity Building	58,305	-
Red Cross Outreach and Home Repair	134,280	-
Rosenburg Resource Center Capital Campaign	494,600	-
Rebuild Texas – Home Repair	120,124	-
Global Giving Social Worker	75,000	-
Total purpose-restricted net assets	1,057,641	300,684
Time restrictions		
Grants and pledges receivable, which are unavailable for spending until due, some of which are also subject to purpose restrictions.	3,121,270	300,000
Total Net Assets With Donor Restrictions	**$4,178,911**	**$600,684**

NOTE 7 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

The following amounts were released from restrictions for the years ended June 30, 2019 and 2018:

Satisfaction of purpose restrictions	**2019**	**2018**
United Way – Disaster Recovery	$400,853	$484,810
United Way – Restoration	652,574	463,877
Capacity Building	1,119,670	-
Red Cross Outreach and Home Repair	284,720	-
Red Cross Rosenburg Capital Campaign	5,400	-
Rebuild Texas – Home Repair	333	-
Rebuild Texas – Overhead	179,454	-
Harvey Fund	175,304	-
Mold and Elevations	73,252	-
Total Net Assets Released from Restrictions	**$2,891,560**	**$948,687**

NOTE 8 – LEASE OBLIGATIONS

The organization leases certain office and warehouse space under operating leases as follows:

- Northeast corner office lease in Houston, Texas under a month to month lease agreement with monthly rental payments of $550. This lease ended in May 2019 and was not renewed.
- Office space lease in Rosenberg, Texas under a month to month lease agreement with monthly rental payments of $650. This lease ended in April 2019 and was renewed through April 2020.
- Office lease in Stafford, Texas under an industrial building lease agreement for sixty-five (65) months beginning April 1, 2018 and expiring August 31, 2023 with monthly rental payments starting at $4,051 then raising annually.
- Office lease in Katy, Texas under a commercial lease agreement beginning March 15, 2018 and ending February 28, 2019 with monthly rental payments of $1,200. The lease become month-to-month and was terminated in June 2019.
- Facility lease in North Houston with an agreement beginning August 1, 2018 and ending March 31, 2020, with monthly payments beginning at $1,500 and being adjusted annually based on usage and cost to the lessor.

The future minimum lease payments are as follows:

2020	$76,025
2021	62,193
2022	54,361
2023	41,765
Total	$234,344

NOTE 9 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 comprise the following:

Financial assets at June 30, 2019:	
Cash and cash equivalents	$1,378,833
Grants and contributions receivable	3,121,271
Total financial assets	4,500,104
Less financial assets not available for general expenditure:	
Donor restricted contribution related to building construction	(994,600)
Donor restricted contribution due greater than twelve months	(75,000)
Total financial assets available for general expenditure	$3,430,504

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Attack Poverty considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

Attack Poverty is substantially supported by contributions and service provider contracts, and regularly monitors liquidity required to meet its operating needs. As part of the organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Attack Poverty aspires to have an operating reserve policy to designate a minimum of three months of average recurring operating costs. Once the policy is implemented, amounts could be made available from the operating reserve fund to cover general operating needs, if necessary.

NOTE 10– EMPLOYEE BENEFIT PLAN

Employees of the Organization are eligible for participation in a defined contribution retirement plan designed in accordance with Internal Revenue Code Section 403 (b)(9). The plan was established for employees of participating employers of Attack Poverty and is offered to full-time employees who have completed at least one year of service. The Organization contributed $12,853 to the plan during the year ended June 30, 2019.

NOTE 11 – NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, FASB issued 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. Attack Poverty has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 12 – CONCENTRATIONS

For the year ended June 30, 2019, approximately forty-five percent (45%) of the Organization's contribution revenue came from three (3) donors. As of June 30, 2019, approximately ninety-two percent (92%) of the Organization's contributions receivable are from four (4) donors.

For the year ended June 30, 2018, approximately thirty-five percent (35%) of the Organization's contribution revenue came from one (1) donor.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

During 2019, the Organization noted that a NOGA (notice of grant award) of $300,000 was received in the prior year but was recognized as revenue in the current year. According to Nonprofit GAAP, notice of grant awards should be recorded as revenue and grants receivable when the notice is received, not when the Organization actually receives the funds. Accordingly, a prior period adjustment was recorded to decrease current year donor restricted revenue of $300,000 and increase net assets with donor restrictions of $300,000.

In addition, the Organization noted several significant expenses amounting to $87,213 related to the Disaster Recovery program should have been recorded as a liability and expense in the prior year. Accordingly, a prior period adjustment was recorded to decrease current year expenses by $87,213 and increase net assets without donor restrictions by $87,213. The adjustment was recorded retroactively to the earliest year presented on the financial statements.

	Without Donor Restrictions	With Donor Restrictions
Net assets at June 30, 2018 – as previously stated	$1,660,390	$300,684
Prior period adjustment – record accounts payable and expenses		
related to Disaster Recovery program	(87,213)	
Prior period adjustment – record grant revenue and receivable		
for notice of grant award received but not recorded	-	300,000
Net assets at June 30, 2018 – as restated	$1,573,177	$600,684

NOTE 14 – SUBSEQUENT EVENTS

In preparing these financial statements, the organization has evaluated events and transactions for potential recognition or disclosure through March 25, 2020, the date on which the financial statements were available to be issued. The COVID-19 outbreak is causing economic uncertainties across a range of industries. Attack Poverty is scaling back its operations due to COVID-19 safety concerns and in anticipation of lower contributions and possible delays in fundraising events during 2020. However, due to the uncertainly of the duration and spread of the virus, the financial impact cannot be reasonably estimated at this time. In July 2019, the organization purchased land for approximately $271,000. This is to build a community resource center for the Rosenberg location. The organization has determined that no change to the financial statements for the year ended June 30, 2019 is deemed necessary as a result of this evaluation.