

Faith in Action Fort Worth, Inc.
(FIAFW, Inc.)

Financial Statements for the Year Ended December 31, 2015



FIAFW, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Faith in Action Fort Worth, Inc. (FIAFW, Inc.)
Fort Worth, Texas

We have audited the accompanying financial statements of Faith in Action Fort Worth, Inc. (FIAFW, Inc.) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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.

Auditors' Responsibility

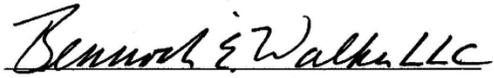
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Faith in Action Fort Worth, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Bennoch & Walker LLC
Certified Public Accountants
Houston, Texas

December 23, 2016

FIAFW, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015

ASSETS

Cash and cash equivalents	\$ 304,154
Accounts receivable	7,306
Property and equipment, net	<u>13,316</u>

TOTAL ASSETS \$ 324,776

LIABILITIES AND NET ASSETS

Liabilities	
Line of credit	\$ <u>129,425</u>
Total Liabilities	<u>129,425</u>

Net Assets	
Unrestricted	<u>195,351</u>
Total Net Assets	<u>195,351</u>

TOTAL LIABILITIES AND NET ASSETS \$ 324,776

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

FIAFW, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>
Revenues	
Program income	\$ 276,685
Reimbursements	<u>97,269</u>
Total Revenues	<u>373,954</u>
Expenses	
Program expenses	<u>334,825</u>
Total Program Expenses	<u>334,825</u>
Supporting Services:	
Management and general	98,799
Fundraising	<u>3,649</u>
Total Supporting Services	<u>102,448</u>
Total Expenses	<u>437,273</u>
Change in Net Assets	(63,319)
Net Assets, Beginning of Year	<u>258,670</u>
NET ASSETS, END OF YEAR	<u><u>\$ 195,351</u></u>

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

FIAFW, INC.STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program	Supporting Services		Total
		Management & General	Fundraising	
Advertising	\$ -	\$ 6,085	\$ -	\$ 6,085
Bank fees	-	23	-	23
Car and truck	2,149	537	-	2,686
Contracted services	233,159	58,290	-	291,449
Depreciation expense	2,184	-	-	2,184
Dues and memberships	6,341	-	334	6,675
Fees and charges	-	310	-	310
Insurance	-	1,615	-	1,615
Interest expense	-	2,427	-	2,427
Meals and entertainment	1,170	-	-	1,170
Miscellaneous	685	171	-	856
Office equipment	-	4,395	-	4,395
Office expenses	1,864	7,458	-	9,322
Postage and delivery	-	369	-	369
Professional fees	-	5,848	-	5,848
Rent	23,734	4,450	1,483	29,667
School related expenses	28,201	-	-	28,201
Supplies	1,257	-	-	1,257
Taxes	-	132	-	132
Travel	29,303	5,494	1,831	36,629
Utilities	<u>4,778</u>	<u>1,195</u>	<u>-</u>	<u>5,973</u>
EXPENSES	\$ <u>334,825</u>	\$ <u>98,799</u>	\$ <u>3,649</u>	\$ <u>437,273</u>

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

FAIFW, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

Cash Flows From Operating Activities

Change in net assets	<u>\$ (63,319)</u>
Adjustments to reconcile change in net assets activities to net cash from operating:	
Depreciation	2,184
Change in operating assets and liabilities	
Accounts receivable	15,455
Accounts payable	(3,983)
Accrued liabilities	<u>(32,400)</u>
Net Cash from Operating Activities	<u>(82,063)</u>

Cash Flows from Investing Activities

Purchase of equipment	<u>(15,500)</u>
Net Cash from Investing Activities	<u>(15,500)</u>

Cash Flows from Financing Activities

Proceeds from line of credit	210,000
Payments on line of credit	<u>(80,575)</u>
Net Cash from Investing Activities	<u>129,425</u>

Net Change in Cash and Cash Equivalents 31,862

Cash and Cash Equivalents, Beginning of Year 272,292

Cash and Cash Equivalents, End of Year \$ 304,154

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

FIAFW, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

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

Organization and Business – Faith in Action Fort Worth, Inc. (the Organization) is a not-for-profit organization incorporated in the State of Texas in November 2010 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Organization is the charter holder of High Point Academy Fort Worth (the Academy), which their year-end is August 31, 2016, therefore the operations and activities of the Academy have not been included in these financial statements. A common Board of Directors of the Organization is comprised of four members which governs the Academy as well. The Board of Directors are selected pursuant to the bylaws of the Organization and has the authority to make decisions, appoint the chief executive officer of the Organization and Academy, and significantly influence operations. The Organization's mission is to build a strong body of engaged community members by increasing civic participation and program involvement, and by identifying and equipping community leaders.

Initially, the Organization operated several after-school programs for at-risk youths. These programs are still in operation during the year ended December 31, 2015. In 2014, the State Board of Education of the State of Texas granted the Organization an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, the Organization opened High Point Academy Fort Worth for the academic year 2015-2016. It was organized to provide educational services to students in Kindergarten through 8th grade, and the Organization's board of directors governs its programs, services, activities and functions.

The Organization's primary source of revenue is tutoring services for another unrelated charter school.

Basis of Accounting – The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 December 31, 2015, the Organization had \$195,351 of unrestricted resources.

FIAFW, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

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. As of December 31, 2015, the Organization had no temporarily restricted net assets.

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. As of December 31, 2015, the Organization had no permanently restricted net assets.

In addition, the Organization is required by FASB ASC 958-205-45-4 to present a statement of cash flows.

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 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 promises to give receivable. The allowance is based on management's analysis of specific promises made.

Contributed Services – 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.

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

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 \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Property and equipment items are depreciated using the straight-line method based on their estimated useful lives ranging from 5 to 7 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.

FIAFW, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

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.

Advertising – Advertising is expensed as incurred. Total advertising costs expensed was \$6,085 for the year ended December 31, 2015.

NOTE 2 – CONCENTRATION OF CREDIT RISKS

The Organization maintains its cash balances in a local bank. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2015, all of the Organizations funds were insured by the FDIC.

NOTE 3 – PROPERTY AND EQUIPMENT

As of December 31, 2015, property and equipment consisted of the following:

Vehicles	\$	8,922
Equipment		6,578
		<u>15,500</u>
Less: Accumulated depreciation		<u>(2,184)</u>
Property and equipment, net	\$	<u>13,316</u>

Depreciation expense charged to operations for the year ended December 31, 2015 was \$2,184.

NOTE 4 – OPERATING LEASES

The Organization has several non-cancelable operating leases for office space as follows:

- The lease began June 11, 2015 and expired on June 10, 2016. The terms of the lease are monthly rental payments of \$1,090. The lease agreement was renewed for an additional 12 months expiring June 10, 2017 with monthly rental payments of \$1,160.
- The lease began July 2, 2014 and expired on July 1, 2015. The terms of the lease were monthly rental payments of \$875. The lease was not renewed.
- The lease began August 29, 2015 and expired on August 28, 2016. The terms of the lease were monthly rental payments of \$931. The lease was not renewed.
- The lease began August 8, 2014 and expired on August 7, 2015. The terms of the lease were monthly rental payments of \$670. The lease was not renewed.
- The lease began September 23, 2014 and expired on September 22, 2015. The terms of the lease were monthly rental payments of \$880. The lease was not renewed.

Future minimum lease payments under the operating leases are as follows:

<u>For the year ending December 31st</u>	
2016	\$ 13,500
2017	<u>6,960</u>
Total	<u>\$ 20,460</u>

Rental expense for the year ended December 31, 2015 was \$29,667.

NOTE 5 – LINE OF CREDIT

The Organization has a \$220,000 revolving line of credit, of which \$90,575 was unused at December 31, 2015. Bank advances on the credit line are payable on demand and carry an interest rate of 2.050% on the unpaid outstanding principal balance of each advance. The credit line is secured by a certificate of deposit owned by the Organization with the same financial institution. As of December 31, 2015, the line of credit balance was \$129,425.

NOTE 6 – CONCENTRATIONS

For the year ended December 31, 2015, approximately seventy-four percent (74%) of the Organizations revenue came from one charter school.

NOTE 7 – SHARED USE AGREEMENT AND PURCHASE OF PROPERTY

On May 8, 2015, the Organization entered in to an agreement to purchase property and for shared use of properties between Castleberry Baptist Church and High Point Academy Fort Worth (related party). The agreement calls for the Organization to acquire title to 5.1 acres of

FIAFW, INC.**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2015**

land to build additional facilities and a playground. The purchase price is \$200,000 for the additional 5.1 acres, and the Organization must deliver an executed Purchase Contract to Castleberry no later than April 2, 2017. The agreement also allows for a scheduled shared use of their respective facilities between Castleberry and High Point Academy Fort Worth.

NOTE 8– SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 23, 2016; the date financial statements were available to be issued. No change to the financial statements for the year ended December 31, 2015 is deemed necessary as a result of this evaluation.