

Somebody Cares America, Inc.
Houston, Texas

Financial Statements Together With
Independent Auditor's Report

December 31, 2018 and 2017

Somebody Cares America, Inc.

Financial Statements

December 31, 2018 and 2017

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Ratcliff & Associates, P.C.
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors,
Somebody Cares America, Inc.

We have audited the accompanying financial statements of Somebody Cares America, Inc. (the "Ministry"), a Texas nonprofit organization, which comprise the statements of financial position as of December 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 error or fraud.

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 audits 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 misstatements of the financial statements, whether due to error or fraud. 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 Somebody Cares America, Inc., as of December 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.

Ratcliff & Associates, P.C.

May 22, 2019

Somebody Cares America, Inc.

Statements of Financial Position

December 31, 2017 and 2018

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 293,149	\$ 262,122
Prepaid expenses	14,549	-
Receivables	-	2,954
Inventory	1,340	1,340
Short-term investments	414	414
Total current assets	<u>309,452</u>	<u>266,830</u>
Noncurrent assets		
Restricted cash	5,000	5,000
Property and equipment		
Furniture and equipment	31,780	31,780
Vehicles	18,700	18,700
Less: accumulated depreciation	<u>(48,523)</u>	<u>(45,626)</u>
Net property and equipment	<u>1,957</u>	<u>4,854</u>
Total noncurrent assets	<u>6,957</u>	<u>9,854</u>
Total Assets	<u>\$ 316,409</u>	<u>\$ 276,684</u>
Liabilities & net assets		
Liabilities		
Current liabilities		
Accounts payable	\$ 22,227	\$ 40,558
Total current liabilities	<u>22,227</u>	<u>40,558</u>
Net assets		
Without donor restrictions	86,255	231,126
With donor restrictions	207,927	5,000
Total net assets	<u>294,182</u>	<u>236,126</u>
Total Liabilities & Net Assets	<u>\$ 316,409</u>	<u>\$ 276,684</u>

The accompanying note disclosures are an integral part of these financial statements.

Somebody Cares America, Inc.
 Statements of Activities
 For the Years ended December 31, 2018 and 2017

	2018	2017
Changes in net assets without donor restrictions		
Revenues		
Revenues without donor restrictions		
Contributions	\$ 623,226	\$ 1,215,385
Non-cash contributions	32,789	70,220
Other	4,582	12,600
Total revenues without donor restrictions	660,597	1,298,205
Net assets released from restrictions		
Satisfaction of program restrictions	27,073	-
Total revenues	687,670	1,298,205
Expenses		
Programs		
Relief assistance	371,026	636,951
Chapter support and development	85,462	101,612
Conferences and seminars	83,588	104,487
Community outreach	64,121	74,976
Missions and Support to other organizations	8,107	6,913
Total program expenses	612,304	924,939
Support services		
Fundraising	32,499	27,117
General and administrative	187,738	126,599
Total expenses	832,541	1,078,655
Change in net assets without donor restrictions	(144,871)	219,550
Changes in net assets with donor restrictions		
Contributions for programs	230,000	-
Net assets released from restriction	(27,073)	-
Change in net assets with donor restrictions	202,927	-
Change in total net assets	58,056	219,550
Net assets at beginning of year	236,126	16,576
Net assets at end of year	\$ 294,182	\$ 236,126

The accompanying note disclosures are an integral part of these financial statements.

Somebody Cares America, Inc.
 Statements of Cash Flows
 For the Years ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Cash received from contributions	\$ 853,226	\$ 1,212,431
Other receipts	4,582	12,600
Cash paid for programs and support services	(859,570)	(995,422)
Net cash provided (used) by operating activities	31,027	229,609
Cash flows from investing activities		
Purchases of property and equipment	-	(2,625)
Net cash provided (used) by investing activities	-	(2,625)
Net increase (decrease) in cash and cash equivalents	31,027	226,984
Cash and cash equivalents at beginning of year	267,122	40,138
Cash and cash equivalents at end of year	\$ 298,149	\$ 267,122
Reconciliation of change in total net assets to net cash provided (used) by operating activities		
Change in total net assets	\$ 58,056	\$ 219,550
Adjustments		
Depreciation	2,897	1,897
Change in accounts receivable	2,954	(2,954)
Change in prepaid expenses	(14,549)	-
Change in accounts payable	(18,331)	11,116
Total adjustments	(27,029)	10,059
Net cash provided (used) by operating activities	\$ 31,027	\$ 229,609
Reconciliation to Statement of Financial Position		
Cash and cash equivalents	\$ 293,149	\$ 262,122
Noncurrent restricted cash	5,000	5,000
Total cash and cash equivalents at end of year for cash flows	\$ 298,149	\$ 267,122

The accompanying note disclosures are an integral part of these financial statements.

Somebody Cares America, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Programs					Support services			Total expenses	
	Relief assistance	Chapter support and development	Conferences and seminars	Community outreach	Missions and Support to other	Programs subtotal	Fundraising	General and administrative		Support services subtotal
Payroll	\$ 68,359	\$ 31,995	\$ 39,109	\$ 52,647	\$ 3,795	\$ 195,905	\$ 25,835	\$ 68,560	\$ 94,395	\$ 290,300
Other contract wages	-	-	-	-	-	-	-	70,259	70,259	70,259
Donations to others	274,284	-	-	-	-	274,284	-	-	-	274,284
Travel	-	29,117	29,117	-	-	58,234	-	-	-	58,234
Professional fees	-	-	-	-	-	-	-	12,140	12,140	12,140
Telephone and communications	3,504	584	292	292	292	4,964	1,592	584	2,176	7,140
Office expense	1,095	76	38	38	38	1,285	-	7,307	7,307	8,592
Postage and delivery	10,661	-	-	-	-	10,661	1,333	1,333	2,666	13,327
Printing and copying	935	4,675	-	-	-	5,610	3,739	-	3,739	9,349
Dues & subscriptions	-	-	-	-	-	-	-	10,105	10,105	10,105
Insurance	1,955	1,955	1,955	1,955	-	7,820	-	-	-	7,820
Occupancy	5,424	5,424	5,424	5,424	-	21,696	-	5,424	5,424	27,120
Internet and website	-	7,776	3,888	-	3,888	15,552	-	368	368	15,920
Depreciation	1,138	190	95	95	94	1,612	-	285	285	1,897
Meetings	-	-	-	-	-	-	-	2,682	2,682	2,682
Auto expense	3,671	3,670	3,670	3,670	-	14,681	-	-	-	14,681
Registration and trademarks	-	-	-	-	-	-	-	8,691	8,691	8,691
Total expenses	\$ 371,026	\$ 85,462	\$ 83,588	\$ 64,121	\$ 8,107	\$ 612,304	\$ 32,499	\$ 187,738	\$ 220,237	\$ 832,541

The accompanying note disclosures are an integral part of these financial statements.

Somebody Cares America, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Programs					Support services			Total expenses	
	Relief assistance	Chapter support and development	Conferences and seminars	Community outreach	Missions and Support to other	Programs subtotal	Fundraising	General and administrative		Support services subtotal
Payroll	\$ 42,364	\$ 37,851	\$ 45,864	\$ 55,361	\$ 2,874	\$ 184,314	\$ 22,756	\$ 72,930	\$ 95,686	\$ 280,000
Donations to others	558,621	-	-	-	-	558,621	-	-	-	558,621
Travel	9,799	45,207	45,207	9,799	-	110,012	-	-	-	110,012
Professional fees	-	-	-	-	-	-	-	13,190	13,190	13,190
Telephone and communicati	5,272	879	439	439	439	7,468	-	2,568	2,568	10,036
Office expense	-	-	-	-	-	-	-	3,098	3,098	3,098
Postage and delivery	9,732	-	-	-	-	9,732	1,217	1,217	2,434	12,166
Printing and copying	220	1,099	-	-	-	1,319	879	-	879	2,198
Dues & subscriptions	-	-	-	-	-	-	-	7,754	7,754	7,754
Insurance	2,862	2,862	2,862	2,862	-	11,448	-	493	493	11,941
Occupancy	6,515	6,515	6,515	6,515	-	26,060	-	6,515	6,515	32,575
Internet and website	-	7,199	3,600	-	3,600	14,399	-	-	-	14,399
Bank charges and fees	-	-	-	-	-	-	-	14,281	14,281	14,281
Depreciation	-	-	-	-	-	-	-	1,897	1,897	1,897
Other	1,566	-	-	-	-	1,566	2,265	2,656	4,921	6,487
Total expenses	\$ 636,951	\$ 101,612	\$ 104,487	\$ 74,976	\$ 6,913	\$ 924,939	\$ 27,117	\$ 126,599	\$ 153,716	\$ 1,078,655

The accompanying note disclosures are an integral part of these financial statements.

SOMEBODY CARES AMERICA, INC.

Note Disclosures to the Financial Statements
December 31, 2017 and 2018

Note 1, Nature of the Organization

Somebody Cares America, Inc., (the “Ministry”) operates in local communities across the United States and internationally. The Ministry brings hope by meeting the day-to-day needs of individuals in personal crisis by mobilizing an existing network of ministries to respond to global tragedies. The Ministry’s primary activities are to gather resources and distribute them to ministries providing crisis relief, network with other churches to mobilize resources, and train and develop other organizations to respond to tragedies.

The Ministry’s primary source of revenue is free-will donations from supporters of the Ministry. The Ministry was incorporated under the laws of the State of Texas and is approved as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Ministry’s administrative office is located in Houston, Texas.

The Ministry is affiliated with Turning Point Ministry (“Turning Point”), a church incorporated under the laws of the State of Texas and approved as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Turning Point provides substantial managerial and financial control over the operations of the Ministry.

Note 2, Summary of Significant Accounting Policies

The following is a summary of the Ministry’s significant accounting policies consistently applied in the preparation of the accompanying financial statements:

New accounting pronouncement: For the year ended December 31, 2018, the Ministry has adopted the new reporting standards issued by the FASB in ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The new standards require the following significant changes or clarifications to the Ministry’s financial statements and disclosures.

- Net assets on the financial statements are renamed and combined into two classes: net assets without donor restriction and net assets with donor restriction.
- Disclosures are enhanced to show the amounts and purposes of net assets without donor restriction that are internally designated, in addition to the already required disclosures for net assets with donor restrictions of both a temporary and permanent nature.
- The statement of financial position is classified to show subtotals for current assets and current liabilities as part of the Ministry’s enhanced disclosure of liquidity. The Ministry anticipates using current assets and satisfying current liabilities within one year of the statement date. Current assets, excluding inventory and prepaid expense (as applicable), represent financial assets available for general expenditure within one year of the statement date. Disclosures are presented for both the quantitative and qualitative aspects of liquidity and the availability of financial assets.

SOMEBODY CARES AMERICA, INC.

Note Disclosures to the Financial Statements
December 31, 2017 and 2018

Note 2, Summary of Significant Accounting Policies (continued)

New accounting pronouncement: (continued)

- The statement of cash flows uses the direct method, which we believe to be a more understandable and preferred presentation for users of our financial statements.
- The statement of functional expenses is a fourth statement to the financial statements reporting package in order to show a combined presentation of the functional and natural classifications of expenses.
- Management activities, except for direct conduct or supervision of programs, are allocated to support services on the statement of activities.
- Net assets with donor restriction for the acquisition or construction of a long-lived asset, as applicable, are not released from restriction until the asset is placed in service.

The Ministry has adjusted the presentation of its financial statements and disclosures accordingly and has applied, when required, these changes retrospectively to the comparative financial statements and disclosures for year 2017. Certain amounts in the 2017 financial statements have been reclassified to conform with the current year presentation and have no effect on net assets or the changes in net assets. Certain other changes have the following effects on net assets at December 31, 2017:

Net Asset Class	As originally presented	After adoption of ASU 2016-14
Unrestricted net assets	\$ 231,126	\$ -
Temporarily restricted net assets	5,000	-
Net assets without donor restriction	-	231,126
Net assets with donor restriction	-	5,000
Total	\$ 236,126	\$ 236,126

Basis of accounting: The financial statements of the Ministry have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) of the United States of America. Revenues are recognized when earned, and expenses are recorded when incurred.

Revenue recognition: Revenues of the Ministry are primarily derived from contributions from the Ministry's members and supporters. A portion of the Ministry's revenues is tied to the local economy. All contributions are considered available for the Ministry's general programs unless specifically restricted by the donor.

SOMEBODY CARES AMERICA, INC.

Note Disclosures to the Financial Statements
December 31, 2017 and 2018

Note 2, Summary of Significant Accounting Policies (continued)Revenue recognition: (continued)

Amounts received that are donor restricted by time or purpose are reported as increases in net asset with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. However, contributions received with restrictions that are met in the same reporting period are reported as increases in net assets without restrictions.

Net assets without donor restrictions: The Ministry further disaggregates net assets without donor restriction into two subcategories:

- General unrestricted: Net assets that are neither subject to donor-imposed restrictions or self-imposed limits are general unrestricted.
- Internally designated: Net assets that are subject to the Ministry's self-imposed limits by action of the governing board or its delegates are internally designated. These voluntary limitations allow the Ministry to earmark net assets for a variety of needs that may arise. Such limits may also be lifted at any time in the future by resolution of the board or its delegates.

Net assets with donor restriction: The Ministry further disaggregates net assets with donor restriction into two subcategories:

- Temporarily restricted: The Ministry reports gifts of cash and other assets as with temporary donor restriction if they are received with donor stipulations temporarily limiting the use of the contributions and if the restrictions are not met in the period of receipt.
- Permanently restricted: The Ministry reports gifts of cash and other assets as with permanent donor restriction if they are received with donor stipulations permanently restricting the contribution to investment but permitting the Ministry to use part or all of the income derived from the investment for general or restricted purposes.

Programs: The Ministry pursues its mission through the execution of the following major programs that are also the reported functional expenses of the Ministry:

Relief assistance: providing resources for the relief of victims of individual personal crisis and natural disasters.

Chapter support and development: providing resources and support for the development of new chapters and the ongoing operations of existing Somebody Cares chapters and affiliates throughout the nation and internationally.

Conferences and seminars: conducting seminars and conferences to equip, empower and encourage leaders, ministry workers and lay persons with a strategic plan to reach their city and beyond by imparting God's heart for the lost.

SOMEBODY CARES AMERICA, INC.

Note Disclosures to the Financial Statements
December 31, 2017 and 2018

Note 2, Summary of Significant Accounting Policies (continued)Programs: (continued)

Community outreach: equipping and empowering Somebody Cares chapters and affiliate ministries with resource, training and network referrals to effectively meet the needs of their community through events and ongoing programs.

Missions, benevolence and support to other organizations: spreading God's word through support of mission activities and giving to other ministries.

Fundraising: facilitating giving from donors and supporters of the ministry.

General and administrative: supporting the general operations of the ministry.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in the financial statements are depreciation, joint costs and the estimated allocation of certain payroll and facility expenses to the functional areas. Depreciation is computed using management's estimate of the useful lives of the asset. The allocation of payroll and facility expenses is, respectively, based on management's estimate of staff time and roles and facility space and usage. Joint costs is based upon management's analysis of printed materials.

Cash and cash equivalents: For purposes of the statement of cash flows, the Ministry considers highly liquid investments with an initial maturity of three months or less to be cash equivalents. Restricted cash, which is reported with cash equivalents on the statement of cash flows, is limited in use to payment of costs of constructing and operating a new facility and of a related capital campaign. Cash and short-term investments held in a bank money market account are reported as investments instead of cash because the Ministry maintains and invests those funds separately.

Financial instruments that potentially subject the Ministry to credit risk include cash on deposit with a financial institution exceeding \$250,000 at various times during the year. The U.S. Federal Deposit Insurance Corporation insures amounts for up to \$250,000.

Allocation of expenses by function and nature: The costs of providing the various programs and other activities have been allocated and summarized on a functional basis in the statement of activities and on both a functional and a natural bases in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services, as well as the natural categories, benefited.

Inventory: Inventory is stated at cost, on the first in, first out method, net of inventory reserve. An inventory reserve of \$7,187 and \$7,804 is recorded at December 31, 2018 and 2017, respectively, for excess stock and slow moving inventory.

SOMEBODY CARES AMERICA, INC.

Note Disclosures to the Financial Statements
December 31, 2017 and 2018

Note 2, Summary of Significant Accounting Policies (continued)

Property and equipment: Property and equipment are recorded at acquisition cost. The Ministry capitalizes assets with a cost greater than \$500. Betterments and renewals are capitalized. Maintenance and repairs are charged to operations when incurred. Depreciation is computed using the straight-line method over estimated useful lives from 3 to 5 years.

Donated assets and services: Donated property is recorded at fair market value on the date of receipt in the appropriate investment, expense or equipment account. In the absence of donor restrictions, donated assets are reported as unrestricted revenue. Contributed services are recognized as unrestricted revenues if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. See Affiliate and Related Party Transactions disclosure.

Income tax status: The Ministry is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an other than private foundation, except on net income derived from unrelated business activities. For the years ended December 31, 2018 and 2017, the Ministry has not conducted unrelated business activities that are material to the financial statements taken as a whole. Accordingly, no provision for income taxes is included in the financial statements. The Ministry 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. The tax years ending in 2015, 2016 and 2017 are open to both federal and state examination.

Note 3, Joint Costs

During 2018, the Ministry incurred joint costs of \$23,314 relating to publications. Such costs were allocated to program expense (\$16,909), general and administrative (\$1,333) and fundraising expense (\$5,072) based on estimated space allocated to fundraising appeals included in publications.

During 2017, the Ministry incurred joint costs of \$14,394 relating to publications. Such costs were allocated to program expense (\$9,952), chapter support (1,099) general and administrative (\$1,217) and fundraising expense (\$2,096) based on estimated space allocated to fundraising appeals included in publications.

SOMEBODY CARES AMERICA, INC.

Note Disclosures to the Financial Statements
December 31, 2017 and 2018

Note 4, Affiliate and Related Party Transactions

Turning Point provides certain facilities and administrative functions without charge to the Ministry. The Ministry occupies facilities paid solely by Turning Point and utilizes furniture and equipment owned by Turning Point. The estimated cost of occupancy expenses incurred by Turning Point for the benefit of the Ministry amounted to \$32,789 and \$70,220 during the years ended December 31, 2018 and 2017, respectively. Management fees paid by the Ministry to Turning Point were \$38,400 and \$38,400 for the years ended December 31, 2018 and 2017.

The Ministry paid Turning Point \$44,200 and \$112,000 during the years ended December 31, 2018 and 2017 for disaster assistance grants. Turning Point made contributions totaling \$11,600 to the Ministry during 2017.

Note 5, Net Assets

Net Assets at December 31, are as follows:

	2018	2017
Net assets without donor restriction		
Balance, beginning of the year	\$ 231,126	\$ 11,576
Increase (decrease)	(144,871)	219,550
Balance, end of the year	\$ 86,255	\$ 231,126
Net assets with donor restriction		
Balance, beginning of the year	\$ 5,000	\$ 5,000
Increase (decrease)	202,927	-
Balance, end of the year	\$ 207,927	\$ 5,000

SOMEBODY CARES AMERICA, INC.

Note Disclosures to the Financial Statements
December 31, 2017 and 2018

Note 5, Net Assets (continued)

Net assets with donor restrictions are held for the following purposes:

	2018	2017
Jasper housing resettlement	\$ 102,927	\$ -
Alkek Foundtion senior citizen resettlement	50,000	-
Enterprise resettlement	50,000	-
Capital building plans	5,000	5,000
Total	\$ 207,927	\$ 5,000

Note 6, Liquidity and Availability of Financial Assets

The Ministry's financial assets are current assets available for general expenditure within one year of the statement date. Financial assets are calculated as follows: current assets less donor-restricted, board-designated and/or contractually-obligated cash and investments, inventory, prepaid expenses, and other similar current assets, as applicable.

As part of the Ministry's liquidity management, it has a strategy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. The significant qualities of this strategy are as follows:

- The Ministry invests cash in excess of daily requirements in short-term investments such as interest-bearing savings accounts or money market funds.
- The Ministry maintains general reserves in its unrestricted general net assets which consists of prior years' net excess revenues (net operating surplus).
- The Ministry is dependent on recurring contributions from its supporters which have remained relatively consistent year-to-year. Occasionally, Ministry leadership may request a special offering from its supporters to meet short-term needs.
- If liquidity remains an ongoing concern, the Ministry may elect to decrease its program budget in order to eliminate excess spending.

SOMEBODY CARES AMERICA, INC.

Note Disclosures to the Financial Statements

December 31, 2017 and 2018

Note 6, Liquidity and Availability of Financial Assets (continued)

The Ministry's financial assets are quantified as follows:

Current assets	\$ 309,452
Less: non-liquid assets [inventory, prepaid expenses, other]	(15,889)
Less: those unavailable for general expenditures within one year, due to Donor-imposed restrictions or contractual requirements:	
Donor restrictions	<u>(207,927)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 85,636</u>

Note 7, Subsequent Events

The ministry has evaluated subsequent events through the date of the independent auditor's report on page one, which is the date the financial statements were available to be issued.