



6 Stones Mission Network

**Financial Statements
December 31, 2021 and 2020**

6 Stones Mission Network

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Independent Auditors' Report

To the Board of Directors of
6 Stones Mission Network

Opinion

We have audited the accompanying financial statements of 6 Stones Mission Network (Organization) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, 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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
March 28, 2022

6 Stones Mission Network
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 901,428	\$ 868,549
Cash held for others	18,605	18,955
Contributions receivable	23,862	12,632
Grants receivable	57,993	53,834
Other receivable	18,386	-
Inventory	157,990	123,641
Prepaid expenses	10,806	7,117
Total current assets	1,189,070	1,084,728
Assets restricted for capital campaign:		
Cash	536,334	41,500
Contributions receivable	393,834	-
Property and equipment, net	197,211	243,610
Total assets	\$ 2,316,449	\$ 1,369,838
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 26,581	\$ 16,746
Accrued expenses	77,560	71,206
Deferred income	-	8,699
Due to others	18,605	18,955
Total current liabilities	122,746	115,606
Net assets:		
Without donor restrictions	524,604	794,238
With donor restrictions	1,669,099	459,994
Total net assets	2,193,703	1,254,232
Total liabilities and net assets	\$ 2,316,449	\$ 1,369,838

See notes to financial statements.

6 Stones Mission Network
Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 271,920	\$ 2,174,202	\$ 2,446,122
Grants	65,001	217,049	282,050
In-kind donations	874,072	-	874,072
Net assets released from restrictions	1,182,146	(1,182,146)	-
Total support and revenue	2,393,139	1,209,105	3,602,244
Operating expenses:			
Program services	1,877,364	-	1,877,364
Supporting services	803,795	-	803,795
Total operating expenses	2,681,159	-	2,681,159
Non-operating income:			
Insurance proceeds	18,386	-	18,386
Change in net assets	(269,634)	1,209,105	939,471
Net assets at beginning of year	794,238	459,994	1,254,232
Net assets at end of year	\$ 524,604	\$ 1,669,099	\$ 2,193,703

See notes to financial statements.

6 Stones Mission Network
Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 1,363,654	\$ 288,335	\$ 1,651,989
Grants	310,835	148,200	459,035
In-kind donations	1,045,928	-	1,045,928
Net assets released from restrictions	319,842	(319,842)	-
Total support and revenue	3,040,259	116,693	3,156,952
Expenses:			
Program services	1,891,312	-	1,891,312
Supporting services	793,135	-	793,135
Total operating expenses	2,684,447	-	2,684,447
Non-operating expenses:			
Loss on sales of equipment	1,480	-	1,480
Change in net assets	354,332	116,693	471,025
Net assets at beginning of year	439,906	343,301	783,207
Net assets at end of year	\$ 794,238	\$ 459,994	\$ 1,254,232

See notes to financial statements.

6 Stones Mission Network Statement of Functional Expenses Year Ended December 31, 2021

	Program Services				Supporting Services			Total
	Community Powered Revitalization	Community Activities	School Based Activities	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Salaries and wages	\$ 146,277	\$ 97,507	\$ 87,482	\$ 331,266	\$ 275,993	\$ 104,997	\$ 380,990	\$ 712,256
Payroll taxes and employee benefits	52,453	24,969	18,921	96,343	82,398	30,893	113,291	209,634
Compensation and related expenses	198,730	122,476	106,403	427,609	358,391	135,890	494,281	921,890
Insurance	7,004	32,978	2,274	42,256	9,220	-	9,220	51,476
Professional fees and contract labor	47,793	7,230	-	55,023	29,472	137,839	167,311	222,334
Office	9,372	24,117	8,962	42,451	2,931	57	2,988	45,439
Postage and printing	3,968	16,377	1,135	21,480	1,898	37	1,935	23,415
Occupancy	33,728	245,849	10,948	290,525	66,852	2	66,854	357,379
Client assistance	182,651	487,647	211,385	881,683	-	-	-	881,683
Depreciation	3,759	45,247	-	49,006	3,643	-	3,643	52,649
Other	13,459	49,981	3,891	67,331	42,547	15,016	57,563	124,894
Total expenses	\$ 500,464	\$ 1,031,902	\$ 344,998	\$ 1,877,364	\$ 514,954	\$ 288,841	\$ 803,795	\$ 2,681,159

See notes to financial statements.

6 Stones Mission Network Statement of Functional Expenses Year Ended December 31, 2020

	Program Services				Supporting Services			Total
	Community Powered Revitalization	Community Activities	School Based Activities	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Salaries and wages	\$ 142,044	\$ 62,197	\$ 51,723	\$ 255,964	\$ 287,658	\$ 151,325	\$ 438,983	\$ 694,947
Payroll taxes and employee benefits	51,633	36,781	5,467	93,881	84,063	36,731	120,794	214,675
Compensation and related expenses	193,677	98,978	57,190	349,845	371,721	188,056	559,777	909,622
Insurance	5,048	30,477	1,639	37,164	2,410	-	2,410	39,574
Professional fees and contract labor	20,550	-	-	20,550	17,081	108,500	125,581	146,131
Office	12,794	22,447	9,981	45,222	2,744	54	2,798	48,020
Postage and printing	3,860	15,107	1,105	20,072	1,847	35	1,882	21,954
Occupancy	32,593	183,006	11,802	227,401	71,845	-	71,845	299,246
Client assistance	89,117	759,009	242,032	1,090,158	-	-	-	1,090,158
Depreciation	2,802	33,722	-	36,524	2,715	-	2,715	39,239
Other	10,745	50,417	3,214	64,376	22,280	3,847	26,127	90,503
Total expenses	\$ 371,186	\$ 1,193,163	\$ 326,963	\$ 1,891,312	\$ 492,643	\$ 300,492	\$ 793,135	\$ 2,684,447

See notes to financial statements.

6 Stones Mission Network
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 939,471	\$ 471,025
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation	52,649	39,239
In-kind donation of property and equipment	-	(11,500)
Loss on the sale of equipment	-	1,480
Contributions restricted for capital campaign	(878,168)	(150,000)
Changes in operating assets and liabilities:		
Contributions receivable	(11,230)	(3,067)
Grants receivable	(4,159)	89,931
Other receivable	(18,386)	-
Inventory	(34,349)	(33,671)
Prepaid expenses	(3,689)	5,104
Accounts payable	9,835	17
Accrued expenses	6,354	36,483
Deferred income	(8,699)	8,699
Due to others	(350)	(3,531)
Net cash provided by operating activities	49,279	450,209
Cash flows from investing activities:		
Proceeds from sale of property and equipment	-	14,860
Purchases of property and equipment	(6,250)	(100,404)
Net cash used by investing activities	(6,250)	(85,544)
Cash flows from financing activities:		
Collections of contributions restricted for capital campaign	484,334	150,000
Net increase in cash	527,363	514,665
Cash at beginning of year	929,004	414,339
Cash at end of year	\$ 1,456,367	\$ 929,004
Reconciliation of cash and restricted cash reported within the statements of financial position to the statements of cash flows:		
Cash	\$ 901,428	\$ 868,549
Cash held for others	18,605	18,955
Restricted cash	536,334	41,500
Total cash and restricted cash shown in the statements of cash flows	\$ 1,456,367	\$ 929,004
Noncash investing activities:		
In-kind donation of property and equipment	\$ -	\$ 11,500

See notes to financial statements.

6 Stones Mission Network

Notes to Financial Statements

1. Organization

6 Stones Mission Network (Organization) meets the needs of people within the community including benevolence, food, clothing and other supplies through a coalition of churches, other not-for-profit agencies and other entities.

The Organization pursues its objectives through the execution of the following major programs:

Community Powered Revitalization – This program provides home renovations in Hurst, Bedford, Euless and Grapevine, Texas and surrounding communities for the underprivileged, disabled and elderly individuals.

Compassion Ministries – This program provides emergency assistance of food, clothing and other resources to families in need.

School Based Initiatives – This program provides economically disadvantaged students with backpacks and school supplies. This program also provides gifts and Christmas dinners to families in need.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Financial Statement Presentation

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

Net assets without donor restrictions - Net assets not subject to donor or grantor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net assets with donor restrictions - Net assets subject to donor or grant restrictions. Some restrictions are temporary in nature, such as those that will be met by actions of the Organization and/or the passage of time. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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Notes to Financial Statements

The Organization reports contributions restricted by donors as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash. Cash is placed with high credit quality financial institutions to minimize risk. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2021, the Organization's uninsured balances totaled \$1,119,962. The Organization has not experienced losses on such assets.

Contributions and Grants Receivable

Contributions and grants receivable are recorded at net realizable value. Management evaluates the adequacy of the allowance for doubtful accounts based on a review of individual accounts. The primary factors considered in determining the amount of the allowance are collection history, the aging of the accounts and other specific information known to management that may affect collectability. No allowance for doubtful accounts was considered necessary at December 31, 2021 and 2020.

At December 31, 2021 and 2020, 100% of grants receivable was due from three donors. At December 31, 2021, 51% of contributions receivable was due from two donors.

For the year ending December 31, 2021, 10% of contributions were from one donor. No such concentration existed at December 31, 2020.

Inventory

Inventory consists of purchased and donated food and new toys. These items are distributed to clients free of charge. Donated food is valued at an estimated amount of \$1.79 and \$1.67 per pound at December 31, 2021 and 2020, respectively. Donated new toys are valued at cost.

Property and Equipment

Property and equipment purchased by the Organization are stated at cost or if acquired by gift, at fair market value at the date of the donation. The Organization capitalizes property and equipment over \$2,000; the fair value of donated fixed assets is similarly capitalized. Property and equipment are depreciated using the straight-line method over estimated useful lives of the assets, which range from 10 to 15 years for buildings and improvements and 3 to 15 years for vehicles and equipment.

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Notes to Financial Statements

Contributions restricted by the donor for the purchase or construction of capital assets are reported as contributions with donor restrictions and released when the asset is placed in service.

Management of the Organization periodically reviews the carrying value of its long-lived assets, including property and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized to the extent fair value of a long-lived asset is less than the carrying amount. Fair value is determined based on the estimated future cash inflows attributable to the asset less estimated future cash outflows. No such loss was recognized during the years ended December 31, 2021 and 2020.

Due to Others

Due to others represents amounts collected by the Organization from a school district. These funds are returnable to the school district upon request and all funds distributed are determined at the school district's discretion.

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Unconditional promises to give (contributions receivable) that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

The Organization receives economic revitalization grants from various participating cities. The city grant awards generally include a specified amount restricted to support administration of the Organization's community powered revitalization program and a maximum annual match to reimburse the Organization for a percentage of allowable project costs. The portion of the grant award restricted for administration is recognized as restricted grant income upon receipt of the award. Grant income subject to allowable project costs is recognized as revenue in the month the allowable project expenses are incurred.

The Organization has \$89,630 and \$145,764 of conditional grants that have not been recognized in the financial statements at December 31, 2021 and 2020, respectively. The grants will be recognized as revenue when the conditions, which include performance of allowable activities and incurring allowable expenses, are met.

The Organization receives donated food and grocery products from the general public, food drives, philanthropic and compassion agencies, churches and local area merchants. These donations are valued as of the latest valuation study of Feeding America. Undistributed food is kept in controlled environments and held as inventory until distributed.

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Notes to Financial Statements

The Organization recognizes the fair value of donated food and grocery products as in-kind contributions upon receipt of goods and as client assistance expense when provided to the Organization's clients.

Donations of the use of facilities are primarily donated by a church and are reflected as contributions at their estimated fair values at date of receipt.

The Organization recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

In order to enable the Organization to meet its mission, a substantial number of volunteers donate significant amounts of their time to the Organization's programs and fundraising functions. These amounts do not meet the requirements for recognition in the financial statements.

Federal Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. For the years ended December 31, 2021 and 2020, the Organization had no material unrelated business income. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax returns and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2021 and 2020, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising costs for the years ended December 31, 2021 and 2020 totaled \$11,553 and \$5,891, respectively.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between program services and support services based on management's judgment considering space used, time spent or direct relation to the program or support service benefited.

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Notes to Financial Statements

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and expenses during the reporting period. Actual results could differ from those estimated.

Reclassifications

Certain reclassifications have been made to the December 31, 2020 financial statements to be consistent with the December 31, 2021 presentation.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification.

The Organization considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization's financial position and changes in net assets.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases*, for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2021.

In 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Organization will be required to present contributed nonfinancial assets as separate line items in the statement of activities, apart from contributions of cash or other financial assets, and additional quantitative and qualitative disclosures will be required. The standard takes effect for annual reporting periods beginning after June 15, 2021.

The Organization is currently assessing the impact that adopting this new guidance will have on the financial statements.

6 Stones Mission Network

Notes to Financial Statements

3. Assets Restricted for Capital Campaign

During the year ended December 31, 2020, the Organization initiated a capital campaign for new facilities. Net assets restricted for the capital campaign consist of the following at December 31, 2021:

	2021	2020
Cash	\$ 536,334	\$ 41,500
Contributions receivable	393,834	-
	\$ 930,168	\$ 41,500

4. Contributions Receivable

At December 31, 2021, contributions receivable are expected to be collected as follows:

Contributions due in one year or less	\$ 231,879
Receivable between one to five years	185,817
	\$ 417,696

Long-term contributions receivable have not been discounted because the discount was deemed to be immaterial.

5. Property and Equipment

Property and equipment consist of the following at December 31:

	2021	2020
Building and improvements	\$ 242,715	\$ 242,715
Vehicles and equipment	244,188	241,938
Software	15,500	11,500
	502,403	496,153
Less: accumulated depreciation	(305,192)	(252,543)
	\$ 197,211	\$ 243,610

Depreciation expense totaled \$52,649 and \$39,239 for the years ended December 31, 2021 and 2020, respectively.

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Notes to Financial Statements

6. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of amounts restricted by donors for the following purposes at December 31:

	<u>2021</u>	<u>2020</u>
Community revitalization	\$ 542,903	\$ 402,225
Community activities	196,028	16,269
Capital campaign	930,168	41,500
	<u>\$ 1,669,099</u>	<u>\$ 459,994</u>

7. In-Kind Contributions

The Organization received the following in-kind contributions during the years ended December 31:

	<u>2021</u>	<u>2020</u>
Food, clothing, toys and school supplies	\$ 687,386	\$ 854,757
Use of office space and facilities	186,686	179,671
Software	-	11,500
	<u>\$ 874,072</u>	<u>\$ 1,045,928</u>

The fair value of the use of office space and facilities is reflected in the accompanying financial statements as in-kind donations and occupancy expense. The fair value of the donated food, clothing, toys and school supplies are reflected in the accompanying financial statements as in-kind donations and client assistance expense. The fair value of the donated software is reflected in the accompanying financial statements as in-kind donations and property and equipment.

8. Employee Benefit Plan

The Organization participates in a multiple employer defined contribution plan. Eligible employees are able to participate after one year or 1,000 hours of services. Employees may choose to contribute a set amount or percentage of their eligible pay up to Internal Revenue Service (IRS) set limits. Contributions are made on behalf of eligible employees ranging from 2% to 15% of employee compensation depending on tenure and position. The Organization's contributions to the plan totaled \$41,181 and \$44,607 for the years ended December 31, 2021 and 2020, respectively.

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Notes to Financial Statements

9. Related Party Transactions

During 2021 and 2020, the Organization received contributions from board members of \$139,457 and \$92,674, respectively.

At December 31, 2021, \$283,834 of contributions receivable are due from board members. There were no contributions receivable due from board members at December 31, 2020.

10. Liquidity and Availability of Resources

The Organization's financial assets available for general expenditure within one year are as follows at December 31:

	2021	2020
Cash	\$ 901,428	\$ 868,549
Cash held for others	18,605	18,955
Contributions receivable	417,696	12,632
Grants receivable	57,993	53,834
Other receivable	18,386	-
Restricted cash	536,334	41,500
Total financial assets	1,950,442	995,470
Less amounts not available for general expenditures within one year:		
Cash due to others	(18,605)	(18,955)
Donor-restricted for capital campaign	(930,168)	(41,500)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,001,669	\$ 935,015

The Organization receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

The Organization has a goal to maintain financial assets to meet 60 days of normal operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

11. Subsequent Events

The Organization has evaluated subsequent events through the date which the financial statements were available to be issued and concluded that no additional disclosures are required.

