6 Stones Mission Network

Financial Statements with Supplementary Information and Compliance Reports
December 31, 2023 and 2022

SFC
Certified Public Accountants

6 Stones Mission Network
Contents

Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
6 Stones Mission Network

Report on the Audit of the Financial Statements

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, 2023 and 2022, 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, 2023 and 2022, 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2024 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
June 6, 2024

6 Stones Mission Network
Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash	$ 2,348,223	$ 1,017,837
Cash held for others	18,605	18,605
Contributions receivable	4,000	-
Grants receivable	59,220	40,295
Inventory	90,028	109,550
Prepaid expenses	8,974	15,655
Total current assets	2,529,050	1,201,942
Assets restricted for capital campaign:		
Cash	1,977,505	1,274,847
Contributions receivable, net	295,124	1,414,724
Construction in progress	3,344,622	79,559
Property and equipment, net	91,408	157,218
Right-of-use asset - finance lease, net	1,002,044	-
Total assets	$ 9,239,753	$ 4,128,290
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 1,333,674	$ 65,232
Accrued expenses	90,013	93,910
Refundable advances	22,010	36,531
Due to others	18,605	18,605
Right-of-use liability - finance lease, current	27,267	-
Total current liabilities	1,491,569	214,278
Right-of-use liability - finance lease, net	1,009,330	-
Total liabilities	2,500,899	214,278
Net assets:		
Without donor restrictions	239,646	273,381
With donor restrictions	6,499,208	3,640,631
Total net assets	6,738,854	3,914,012
Total liabilities and net assets	$ 9,239,753	$ 4,128,290

See notes to financial statements.

6 Stones Mission Network
Statement of Activities
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue from operations:			
Contributions of financial assets	$ 882,916	$ 1,682,022	$ 2,564,938
Contributions of nonfinancial assets	183,815	819,058	1,002,873
Grants	78,471	2,329,013	2,407,484
Net assets released from restrictions	1,971,516	(1,971,516)	-
Total support and revenue from operations	3,116,718	2,858,577	5,975,295
Operating expenses:			
Program services	2,405,943	-	2,405,943
Supporting services	732,244	-	732,244
Total operating expenses	3,138,187	-	3,138,187
Change in net assets from operations	(21,469)	2,858,577	2,837,108
Non-operating income (expense):			
Interest income	15,591	-	15,591
Loss on disposal of property and equipment	(27,857)	-	(27,857)
Total non-operating income (expense)	(12,266)	-	(12,266)
Change in net assets	(33,735)	2,858,577	2,824,842
Net assets at beginning of year	273,381	3,640,631	3,914,012
Net assets at end of year	$ 239,646	$ 6,499,208	$ 6,738,854

6 Stones Mission Network
Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue from operations:			
Contributions of financial assets	$ 790,746	$ 2,594,458	$ 3,385,204
Contributions of nonfinancial assets	49,205	967,061	1,016,266
Grants	17,950	260,517	278,467
Net assets released from restrictions	1,850,504	(1,850,504)	-
Total support and revenue from operations	2,708,405	1,971,532	4,679,937
Operating expenses:			
Program services	2,274,447	-	2,274,447
Supporting services	685,181	-	685,181
Total operating expenses	2,959,628	-	2,959,628
Change in net assets	(251,223)	1,971,532	1,720,309
Net assets at beginning of year	524,604	1,669,099	2,193,703
Net assets at end of year	$ 273,381	$ 3,640,631	$ 3,914,012

6 Stones Mission Network
Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services				Supporting Services			
	Community Powered Revitalization	Community Activities	School Based Activities	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries and wages	$ 163,745	$ 146,998	$ 112,806	$ 423,549	$ 253,535	$ 173,997	$ 427,532	$ 851,081
Payroll taxes and employee benefits	60,872	34,749	23,053	118,674	71,511	53,097	124,608	243,282
Compensation and related expenses	224,617	181,747	135,859	542,223	325,046	227,094	552,140	1,094,363
Insurance	22,982	13,474	2,620	39,076	9,662	-	9,662	48,738
Professional fees and contract labor	93,241	6,592	482	100,315	25,945	16	25,961	126,276
Office	30,616	70,848	15,822	117,286	26,132	67	26,199	143,485
Postage and printing	1,922	7,524	550	9,996	920	18	938	10,934
Occupancy	179,803	130,077	22,094	331,974	81,570	75	81,645	413,619
Client assistance	350,664	494,058	307,868	1,152,590	-	-	-	1,152,590
Depreciation	3,162	38,062	-	41,224	3,065	-	3,065	44,289
Other	26,426	40,445	4,388	71,259	29,153	3,481	32,634	103,893
Total expenses	$ 933,433	$ 982,827	$ 489,683	$ 2,405,943	$ 501,493	$ 230,751	$ 732,244	$ 3,138,187

See notes to financial statements.

6 Stones Mission Network

Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services				Supporting Services			
	Community Powered Revitalization	Community Activities	School Based Activities	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries and wages	$ 141,847	$ 155,291	$ 62,210	$ 359,348	$ 313,426	$ 104,769	$ 418,195	$ 777,543
Payroll taxes and employee benefits	60,659	26,528	17,512	104,699	82,530	30,553	113,083	217,782
Compensation and related expenses	202,506	181,819	79,722	464,047	395,956	135,322	531,278	995,325
Insurance	3,939	32,298	1,279	37,516	4,348	-	4,348	41,864
Professional fees and contract labor	102,115	13,625	996	116,736	37,368	32	37,400	154,136
Office	13,976	31,104	12,789	57,869	28,308	74	3,877	61,746
Postage and printing	4,024	9,625	704	14,353	1,177	23	1,200	15,553
Occupancy	36,577	270,679	11,691	318,947	44,569	7	44,576	363,523
Client assistance	154,037	733,876	250,734	1,138,647	-	-	24,505	1,163,152
Depreciation	3,733	44,941	-	48,674	3,619	-	3,619	52,293
Other	18,044	53,817	5,797	77,658	27,819	6,559	34,378	112,036
Total expenses	$ 538,951	$ 1,371,784	$ 363,712	$ 2,274,447	$ 543,164	$ 142,017	$ 685,181	$ 2,959,628

See notes to financial statements.

6 Stones Mission Network
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 2,824,842	$ 1,720,309
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation	44,289	52,293
Change in discount on contributions receivable	(5,247)	9,013
Contributions restricted for capital campaign	(2,961,821)	(1,838,962)
Amortization of right-of-use assets - finance lease	34,553	-
Loss on disposal of property and equipment	27,857	-
Changes in operating assets and liabilities:		
Contributions receivable	(4,000)	23,862
Grants receivable	(18,925)	17,698
Other receivable	-	18,386
Inventory	19,522	48,440
Prepaid expenses	6,681	(4,849)
Accounts payable	1,268,442	13,883
Accrued expenses	(3,897)	16,350
Refundable advance	(14,521)	36,531
Net cash provided by operating activities	1,217,775	112,954
Cash flows from investing activities:		
Proceeds from sale of property and equipment	7,500	-
Purchases of property and equipment	(3,278,899)	(67,091)
Net cash used by investing activities	(3,271,399)	(67,091)
Cash flows from financing activities:		
Collections of contributions restricted for capital campaign	4,086,668	809,059
Net increase in cash	2,033,044	854,922
Cash at beginning of year	2,311,289	1,456,367
Cash at end of year	$ 4,344,333	$ 2,311,289
Reconciliation of cash and restricted cash reported within the statements of financial position to the statements of cash flows:		
Cash	$ 2,348,223	$ 1,002,083
Cash held for others	18,605	18,605
Restricted cash	1,977,505	1,290,601
Total cash and restricted cash shown in the statements of cash flows	$ 4,344,333	$ 2,311,289
Supplemental disclosure of cash flow information:		
Additions of property and equipment included in accounts payable	$ 1,316,680	$ 24,768
Right-of-use asset in exchange for new lease liability - financing	$ 1,036,597	-
Cash paid during the year for interest	$ 19,148	-

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.

The Organization is supported primarily through contributions and grants from individuals, foundations, businesses and governmental entities.

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 stipulations 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.

Some net assets with donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of December 31, 2023 and 2022, no such net asset restrictions existed.

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.

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash and contributions and grants receivable. 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, 2023, the Organization's uninsured balances totaled $1,954,255. 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, 2023 and 2022.

At December 31, 2023 and 2022, 100% of grants receivable was due from two and four governmental entities, respectively. At December 31, 2023, 70% of total contributions receivable was due from four donors. At December 31, 2022, 53% of total contributions receivable was due from one donor.

For the year ending December 31, 2023, 78% of total contributions were from one donor. For the year ending December 31, 2022, 34% of total contributions were from two donors.

Inventory

Inventory consists of purchased and donated food and new toys. These items are distributed to clients free of charge and are recorded at estimated fair market value.

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.

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, 2023 and 2022.

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. Amounts received prior to meeting measurable performance or other barriers are reported as refundable advances. At December 31, 2023 and 2022, no such refundable advances existed.

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. Amounts received prior to incurring the allowable project expenses are reported as refundable advances. At December 31, 2023 and 2022, refundable advances totaled $22,010 and $36,531, respectively.

The Organization has $110,376 and $263,882 of conditional grants that have not been recognized in the financial statements at December 31, 2023 and 2022, 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.

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.

Grant Compliance

The Organization is responsible for compliance with provisions of contracts and grant agreements. Noncompliance could result in the disallowance of expenditures and a request for reimbursement. In the opinion of the Organization's management, such disallowance, if any, would not be significant to the Organization's 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022 totaled $5,648 and $19,162, 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.

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 were made to the December 31, 2022 statement of functional expenses to conform to the December 31, 2023 presentation.

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 for the years then ended December 31:

	2023	2022
Cash	$ 1,977,505	$ 1,274,847
Contributions receivable, net	295,124	1,414,724
Construction in progress	3,344,622	79,559
	$ 5,617,251	$ 2,769,130

4. Contributions Receivable

Contributions receivable are expected to be collected as follows at December 31:

	2023	2022
Contributions due in one year or less	$ 205,221	$ 1,207,058
Receivable between one to five years	97,669	216,679
	302,890	1,423,737
Less: discount to present value	(3,766)	(9,013)
	$ 299,124	$ 1,414,724

Long-term contributions receivable for the years ended December 31, 2023 and 2022 are discounted using a rate of 4.01% and 4.11%, respectively.

5. Property and Equipment

Property and equipment consist of the following at December 31:

	2023	2022
Building and improvements	$ 138,229	$ 242,715
Vehicles and equipment	256,725	251,688
Software	29,100	20,300
Construction in progress	3,344,622	79,559
	3,768,676	594,262
Less: accumulated depreciation	(332,646)	(357,485)
	$ 3,436,030	$ 236,777

Depreciation expense totaled $44,289 and $52,293 for the years ended December 31, 2023 and 2022, respectively.

6. Net Assets With Donor Restrictions

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

	2023	2022
Community revitalization	$ 616,049	$ 650,943
Community activities	265,908	220,558
Capital campaign	5,617,251	2,769,130
	$ 6,499,208	$ 3,640,631

7. Contributions of Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets during the year ended December 31, 2023:

	Program Services	General and Administrative	Total
Food	$ 314,790	$ 244	$ 315,034
Goods	293,777	5,481	299,258
Rent	250,635	61,973	312,608
Services	58,837	17,136	75,973
	$ 918,039	$ 84,834	$ 1,002,873

The Organization received the following contributions of nonfinancial assets during the year ended December 31, 2022:

	Program Services	General and Administrative	Total
Food	$ 347,044	$ 7,586	$ 354,630
Goods	177,718	495	178,213
Rent	228,079	26,430	254,509
Services	206,906	22,008	228,914
	$ 959,747	$ 56,519	$ 1,016,266

Food

Contributed food is valued using the latest valuation study of Feeding America with prices of $1.93 and $1.92 per pound at December 31, 2023 and 2022, respectively.

Goods

Contributed goods are reported at the fair market value of similar goods.

Rent

Contributed building space and utility usage is reported at fair market value of space and rent.

Services

Contributed services are valued based on the rate that would have been changed by the donor.

A portion of the total contributions of nonfinancial assets received during the years ended December 31, 2023 and 2022 is restricted for use of the specific program designated by the donors.

8. Employee Benefit Plan

The Organization participates in a multiple employer defined contribution plan. Employees may choose to contribute a set amount or percentage of their eligible pay up to Internal Revenue Service 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 $61,918 and $55,070 for the years ended December 31, 2023 and 2022, respectively.

9. Liquidity and Availability of Resources

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

	2023	2022
Cash	$ 2,348,223	$ 1,002,083
Contributions receivable, current	4,000	-
Grants receivable	59,220	40,295
Total financial assets	2,411,443	1,042,378
Less amounts not available for general expenditures within one year:		
Donor-imposed restrictions	(881,957)	(871,501)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,529,486	$ 170,877

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.

10. Leases

In evaluating its contracts, the Organization separately identifies lease and nonlease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for property of its new office space. The Organization has elected the practical expedient to not separate lease and nonlease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the nonlease component.

Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization used the implicit rate provided in the lease agreement to determine the present value of lease payments.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. The Organization has elected not to record leases with an initial term of 12 months or less on the statement of financial position.

Nature of Lease

The Company entered into a non-cancelable finance lease arrangement for property of its new building for office space that expires on December 31, 2052. The lease requires the Organization to pay all executory costs (taxes, utilities, insurance, etc.). Termination of the lease is generally prohibited unless there is a violation under the lease agreement.

Future minimum lease payments and reconciliation to the statements of financial position at December 31, 2023 are as follows for the years ending December 31:

2024	$ 46,142
2025	46,142
2026	46,142
2027	46,142
2028	46,142
Thereafter	1,107,416
Total future undiscounted lease payments	1,338,126
Less present value discount	(301,529)
Lease liability	$ 1,036,597

The following is the lease cost and required information for the year ended December 31, 2023:

Total lease cost	$ 19,148
Other information:	
Right-of-use asset obtained in exchange for new lease liabilities	$ 1,036,597
Weighted-average remaining lease term:	29 years
Weighted-average discount rate:	1.85%

11. Related Party Transactions

During the years ended December 31, 2023 and 2022, the Organization received contributions from board members totaling $285,990 and $268,823, respectively.

At December 31, 2023 and 2022, $146,390 and $218,121 of contributions receivable were due from board members, respectively.

12. Subsequent Events

Management has evaluated subsequent events through June 6, 2024, the date the financial statements were available to be issued, and concluded that no disclosures are required.

6 Stones Mission Network
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Federal Agency/ Pass-through Grantor/Program Title	Assistance Listing Number	Grant Number	Total Expenditures
U.S. Department of Homeland Security			
Tarrant County:			
Emergency Food and Shelter National Board Program	97.024	Phase 39	$ 19,949
Emergency Food and Shelter National Board Program	97.024	Phase 40	24,982
COVID-19 Emergency Food and Shelter National Board Program	97.024	ARPA-R	137,199
Total Emergency Food and Shelter National Board Program			182,130
Total U.S. Department of Homeland Security			182,130
U.S. Department of the Treasury			
Tarrant County:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	-	1,945,209
Total U.S. Department of the Treasury			1,945,209
Total Expenditures of Federal Awards			$ 2,127,339

1.Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of 6 Stones Mission Network (Organization) and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule only presents a selected portion of the operations of the Organization, it is not intended and does not present the financial position, changes in net assets, or cash flows of the Organization.

2.Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

SFC
Certified Public Accountants

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
6 Stones Mission Network

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 6 Stones Mission Network (Organization) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 6, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
June 6, 2024

SFC
Certified Public Accountants

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors of
6 Stones Mission Network

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited 6 Stones Mission Network's (Organization) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2023. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion was expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
June 6, 2024

6 Stones Mission Network
Schedule of Findings and Questioned Costs
Year Ended December 31, 2023

<u>Section I – Summary of Auditors' Results</u>

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	Yes
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance 2 CFR 200.516(a)?	Yes

Identification of Major Federal Program

COVID-19 Coronavirus State and Local Fiscal Recovery Funds	ALN 21.027
Dollar threshold used to distinguish between type A and B programs for federal awards:	$750,000
Auditee qualified as low-risk auditee?	No

<u>Section II – Financial Statement Findings</u>

None.

<u>Section III – Federal Award Findings and Questioned Costs</u>

Finding 2023-001: Procurement – significant deficiency in internal controls over compliance and compliance finding.

Criteria: The Organization is required to comply with procurement principles as detailed in Section 200.320 of the Code of Federal Regulations.

Condition: During procurement testing, it was noted that the Organization did not issue a formal request for proposal or obtain sealed bids for a contract in excess of the $250,000 formal procurement requirement threshold.

Cause: The proposals and bids obtained did not follow the formal procurement process.

Effect: The Organization was not in compliance with federal procurement principles.

Recommendation: The Organization should implement controls to ensure compliance with federal procurement policies including a checklist for large purchases that mirrors federal procurement requirements.

Management's Response: See corrective action plan

Finding 2023-002: Reporting – significant deficiency in internal controls over compliance and compliance finding.

Criteria: The Organization is required to report quarterly and annually on a timely basis as detailed by Tarrant County in the grant agreement.

Condition: During reporting testing, it was noted that the Organization did not submit the required annual report on a timely basis.

Cause: The untimely annual reporting was an oversight.

Effect: The Organization was not in compliance with the reporting requirements stated in the grant agreement.

Recommendation: The Organization should implement controls to ensure compliance with reporting requirements including a checklist for required grant reporting submissions by type and due date.

Management's Response: See corrective action plan

<u>Section IV – Summary of Prior Year Audit Findings</u>

N/A

stones
a Catalyst of Hope

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6stones.org

June 6, 2024

Sutton Frost Cary LLP
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Subject: Management Response to FY 2023 Audit Findings

The management of 6 Stones Mission Network acknowledges receipt of the following findings for the audit year FY 2023.
While agreeing with the findings, management submits the following as its response:

***Finding 2023-001: Procurement* – significant deficiency in internal controls over compliance and compliance finding.**
Management Response
6 Stones Mission Network will follow 2 CFR Part 200 guidelines regarding procurement by:

- Providing 2 CFR Part 200 procurement training to the Finance team and summary of the guidelines for the Board of Directors Finance Committee.
- Creating a procurement checklist using 2 CFR Part 200 guidelines and reviewing status updates monthly with the 6 Stones Board of Directors Finance Committee until the project and all tasks are completed.

***Finding 2023-002: Reporting* – significant deficiency in internal controls over compliance and compliance finding.**
Management Response
6 Stones Mission Network will follow 2 CFR Part 200 reporting requirements by:

- Creating a reporting timeline from the grant award document and presenting to the 6 Stones Board of Directors Finance Committee.
- Providing monthly status updates on the ongoing reporting until the project and all reporting tasks are completed.

Parties Responsible:

Chief Financial Officer
Finance Committee Chair

The Corrective Action Plan will be put in place no later than May 31, 2024.
Please let us know if you have any questions.

Bobby Olsen
Chief Financial Officer