

Tomball Emergency Assistance Ministries, Inc.

Financial Statements and Independent Auditors' Report
for the Year Ended September 30, 2022
(with comparative totals for 2021)



Tipton & Company

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To Those Charged with Governance
And Management
Tomball Emergency Assistance Ministries, Inc.
Tomball, Texas

Opinion

We have audited the accompanying financial statements of Tomball Emergency Assistance Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 Tomball Emergency Assistance Ministries, Inc. as of September 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Tomball Emergency Assistance Ministries, Inc. and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

Responsibilities of Management 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, 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 Tomball Emergency Assistance Ministries, Inc.'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 generally accepted 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 generally accepted 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 Tomball Emergency Assistance Ministries, Inc.'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 Tomball Emergency Assistance Ministries, Inc.'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.

Report on Summarized Comparative Information

We have previously audited Tomball Emergency Assistance Ministries, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tipton & Company LLC

Tipton & Company
Certified Public Accountants
Houston, Texas

March 16, 2023

Tomball Emergency Assistance Ministries, Inc.

Statement of Financial Position

<i>As of September 30, (with comparative totals for 2021)</i>	2022	2021
Assets		
Cash and cash equivalents	\$ 586,412	\$ 524,345
Pledges and grants receivable, net	27,596	69,971
Prepaid expenses	20,460	16,665
Inventory	320,339	273,795
Property and equipment, net	698,652	660,967
Total Assets	\$ 1,653,459	\$ 1,545,743
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 7,579	\$ 6,069
Accrued expenses	11,521	8,808
Total Liabilities	19,100	14,877
Net Assets		
Without donor restrictions	1,575,709	1,446,249
With donor restrictions	58,650	84,617
Total Net Assets	1,634,359	1,530,866
Total Liabilities and Net Assets	\$ 1,653,459	\$ 1,545,743

Tomball Emergency Assistance Ministries, Inc.

Statement of Activities

<i>Year ended September 30, (with comparative totals for 2021)</i>	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenue and Support				
Contributions and grants	\$ 388,216	\$ 27,643	\$ 415,859	\$ 465,881
In-kind contributions - food	132,374	-	132,374	\$ 73,166
Client copay	2,184	-	2,184	2,086
Thrift shop sales	487,591	-	487,591	365,164
Special events revenue	103,138	-	103,138	156,845
Other revenue	307	-	307	102
Net assets released from restrictions	53,610	(53,610)	-	-
Total Revenue and Support	1,167,420	(25,967)	1,141,453	1,063,244
Expenses				
Program Services				
Client assistance	620,367	-	620,367	444,557
Thrift shop activities	179,643	-	179,643	153,208
Other programs	106,013	-	106,013	120,891
Total Program Services	906,023	-	906,023	718,656
Supporting Services				
Management and general	105,644	-	105,644	112,252
Fundraising	26,293	-	26,293	6,878
Total Supporting Services	131,937	-	131,937	119,130
Total Expenses	1,037,960	-	1,037,960	837,786
Change in Net Assets	129,460	(25,967)	103,493	225,458
Net Assets, Beginning of Year	1,446,249	84,617	1,530,866	1,305,408
Net Assets, End of Year	\$ 1,575,709	\$ 58,650	\$ 1,634,359	\$ 1,530,866

Tomball Emergency Assistance Ministries, Inc.

Statement of Functional Expenses

Year ended September 30, (with comparative totals for 2021)	Program Services						Supporting Services			2021 Total
	Client Assistance	Thrift Shop	Other Programs	Total Program Services	Management and General	Fundraising	Total			
							2022	Total		
Salaries and Related Expenses										
Salaries and wages	\$ 21,406	\$ 151,513	\$ 39,748	\$ 212,667	\$ 34,250	\$ -	\$ 34,250	\$ 246,917	\$ 243,308	
Payroll taxes	1,651	12,305	3,065	17,021	2,641	-	2,641	19,662	18,139	
Total Salaries and Related Expenses	23,057	163,818	42,813	229,688	36,891	-	36,891	266,579	261,447	
Other Expenses										
Advertising	-	-	65	65	-	18,123	18,123	18,188	2,346	
Bad debt expense	-	-	-	-	1,629	-	1,629	1,629	4,772	
Bank and credit card charges	-	14,519	-	14,519	-	-	-	14,519	12,555	
Client expenses	453,186	-	-	453,186	-	-	-	453,186	341,743	
Contract labor	11,250	-	-	11,250	-	-	-	11,250	-	
Depreciation	-	-	30,910	30,910	-	-	-	30,910	31,361	
In-kind food	132,374	-	-	132,374	-	-	-	132,374	73,166	
Insurance	-	-	-	-	17,763	-	17,763	17,763	18,482	
Legal and professional	-	-	-	-	27,537	-	27,537	27,537	14,968	
Meals and entertainment	-	-	-	-	-	193	193	193	1,127	
Miscellaneous	500	76	146	722	4,005	-	4,005	4,727	3,834	
Office expenses	-	-	3,330	3,330	10,197	-	10,197	13,527	16,221	
Repairs and maintenance	-	1,230	14,592	15,822	-	-	-	15,822	26,848	
Special event expenses	-	-	-	-	-	7,977	7,977	7,977	4,708	
Utilities	-	-	14,157	14,157	7,622	-	7,622	21,779	24,208	
Total Other Expenses	597,310	15,825	63,200	676,335	68,753	26,293	95,046	771,381	576,339	
Total Expenses	\$ 620,367	\$ 179,643	\$ 106,013	\$ 906,023	\$ 105,644	\$ 26,293	\$ 131,937	\$ 1,037,960	\$ 837,786	

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

Tomball Emergency Assistance Ministries, Inc.

Statement of Cash Flows

<i>Year Ended September 30, (with comparative totals for 2021)</i>	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ 103,493	\$ 225,458
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Forgiveness of Payroll Protection Program (PPP) refundable advance	-	(45,900)
Bad debt expense	1,629	4,772
Depreciation	30,910	31,361
Changes in assets and liabilities:		
Pledges and grants receivable	40,746	(49,556)
Prepaid expenses	(3,795)	(472)
Inventory	(46,544)	6,087
Accounts payable	1,510	2,716
Accrued expenses	2,713	7,104
Total Adjustments	27,169	(43,888)
Net Change in Operating Activities	130,662	181,570
Cash Flows From Investing Activities		
Purchases of fixed assets	(68,595)	-
Net Change in Investing Activities	(68,595)	-
Net Change in Cash and Cash Equivalents	62,067	181,570
Cash and Cash Equivalents, beginning of year	524,345	342,775
Cash and Cash Equivalents, end of year	\$ 586,412	\$ 524,345

Tomball Emergency Assistance Ministries, Inc.

Notes to Financial Statements

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Tomball Emergency Assistance Ministries, Inc. (the Organization) is a coalition of various congregations and affiliate groups incorporated as a non-profit organization under the laws of the State of Texas. The Organization has been serving people of Tomball since 1985. The Organization provides direct assistance to individuals for food, housing, clothing, utilities, medical and transportation needs. The Organization is supported by funds received through donations from corporate and individual donors, member churches, grants from private foundations, and sales revenue from the Organization's resale shop.

The Organization operates a thrift shop store, the Organization's Resale Shop, which sells used clothing and household goods donated by the general public. The store is regularly staffed by volunteers from the congregation and the community. Funds generated from the store operations and other public support have made the welfare services provided by the Organization possible. The Organization also operates a food pantry that provides food and toiletries to eligible clients.

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

- *Budget counseling*
- *Food and toiletries from the food pantry* – the food pantry receives in-kind donations of food from the Houston Food Bank, and the Organization receives donations from many individuals, businesses, and organizations. As a result, the Organization is able to provide their client's with groceries, including frozen and canned meats, canned vegetables and bread, and fresh produce. In addition, the Organization distributes items such as shampoo, soap, laundry detergent, diapers, and other hygiene products.
- *Clothing vouchers to the resale shop* – the revenue from the resale shop sales supports the food pantry, social programs, and operating costs.
- *Rent, utilities, transportation, medical/dental/vision assistance*
- *Special assistance programs* – food for students, summer food assistance for kids, back to school jacket giveaway, Thanksgiving holiday baskets, Christmas meal & gift program.
- *Assistance through the Tomball Benevolence Network (TBN)* – The Organization has developed and maintains a network of resources and services throughout the Greater Tomball area and connects residents in need with these resources and services.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

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

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

Tomball Emergency Assistance Ministries, Inc.

Notes to Financial Statements

- *Net assets with donor restrictions* are resources that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by passage of time or use for a purpose specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature; where the donor stipulates those resources be maintained in perpetuity. Donor-restricted endowment earnings are released when those earnings are appropriated with spending policies and are used for the specified purpose.

Cash and Cash Equivalents

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

Pledges and Grants Receivable

Pledges and grants receivable that are due within one year are reported at net realizable value. Grants and pledges receivable that are expected to be collected in future years are reported at the present value of the expected future cash flows. The Organization provides an allowance for pledges and grants receivable when it believes balances may not be collected in full. When management determines the receivable will not be collected, the receivables are written off.

Inventory

Inventory is comprised of donated merchandise held by the Organization's Resale Shop and donated food maintained at the Organization's food pantry. The merchandise inventory is valued at the expected thrift store sales price. The food inventory is valued on a rate per pound as estimated by the Houston Food Bank.

Property and Equipment

Property and equipment are stated at cost or fair value at date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	39 years
Building improvements	39 years
Furniture, fixtures, and equipment	3 - 15 years

Additions and betterments of \$2,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

Contributions and Grants

Contributions and grants are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are reported as increases in net assets with donor restrictions. Conditional contributions are subject to one or more barriers that must be overcome before the Organization is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been substantially met. Payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Contributed Services

The Organization receives services donated from volunteers in carrying out their programs. Contributions of services are recognized as support at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service

Tomball Emergency Assistance Ministries, Inc.

Notes to Financial Statements

would typically need to be purchased if not donated. No amounts have been reflected in the financial statements for those services because they do not meet the criteria for recognition.

Donated Goods

All donated goods were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets. Donated goods are valued at the wholesale prices that would be received for selling similar products.

Income Taxes

The Organization is a nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code ("Code") and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization did not conduct any unrelated business activities in the current fiscal year. Therefore, The Organization has made no provision for federal income taxes in the accompanying financial statements.

The Organization applies the provisions of FASB ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Sales Tax

The State of Texas and municipalities within the State impose a sales tax on certain sales. The Organization collects the sales tax from their thrift store and remits the entire amount to the State. The Organization's accounting policy is to exclude the tax collected and remitted from revenue.

Advertising

The Organization uses advertising to promote its thrift shop and programs among the general public. Advertising costs are expensed as incurred. Advertising expense for the years ended September 30, 2022 and 2021 was \$18,188 and \$2,346, respectively.

Use of Estimates

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

Functional Allocation of Expense

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of time and effort. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Tomball Emergency Assistance Ministries, Inc.

Notes to Financial Statements

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2022 are comprised of the following:

Financial assets:	
Cash and cash equivalents	\$ 586,412
Pledges and grants receivable, net	27,596
Total financial assets	614,008
Less: board designated fund	(100,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 514,008

The Organization's financial assets have been reduced by amounts not available for general use due to donor-imposed restrictions within one year of the statement of financial position date. The Organization sets a goal of having financial assets on hand to meet 60 days of normal operating expenses, which are, on average, around \$146,000. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due.

NOTE 3 – CONCENTRATION OF CREDIT RISKS

All of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount (\$250,000), for each deposit insurance ownership category. The Organization maintains cash balances at a financial institution located in Texas. At September 30, 2022 and 2021, the Organization had approximately \$336,000 and \$274,000, respectively, of cash balances that were not covered by FDIC insurance.

NOTE 4 – PLEDGES AND GRANTS RECEIVABLE

The Organization receives pledges of future contributions from foundations and corporations. In accordance with authoritative accounting guidance, these pledges to give were recognized as revenue in the period when the pledge is made, rather than as the payments are received.

Pledges and grants receivable at September 30, 2022 and 2021 consisted of the following:

	2022	2021
Due in one year	\$ 29,225	\$ 74,743
Less: allowance for uncollectible promises	(1,629)	(4,772)
Pledges and grants receivable, net	\$ 27,596	\$ 69,971

At September 30, 2022 and 2021, receivables from one funding source represented seventy-two percent (72%) and forty-six percent (46%), respectively, of total pledges and grants receivable. The Organization receives most of its support and revenues from individuals, member churches and other organizations in the Tomball area. Consequently, the Organization is dependent on these parties. Additionally, the Organization provides most of its support to families living in the Tomball zip codes.

Tomball Emergency Assistance Ministries, Inc.

Notes to Financial Statements

NOTE 5 – INVENTORY

The inventory balances as of September 30, 2022 and 2021 are as follows:

	2022	2021
Thrift shop	\$ 286,378	\$ 244,947
Food pantry inventory	33,961	28,848
Total inventory	\$ 320,339	\$ 273,795

NOTE 6 – PROPERTY AND EQUIPMENT

As of September 30, 2022 and 2021, property and equipment consisted of the following:

	2022	2021
Land	\$ 469,950	\$ 469,950
Buildings	628,280	628,280
Capital improvements	125,331	59,996
Other long-term assets	81,376	78,116
Subtotal property and equipment	1,304,937	1,236,342
Less: accumulated depreciation	(606,285)	(575,375)
Total property and equipment, net	\$ 698,652	\$ 660,967

Depreciation expense for the year ended September 30, 2022 and 2021 was \$30,910 and \$31,361, respectively.

NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at September 30, 2022 and 2021 are comprised of the following:

	2022	2021
Undesignated	\$ 1,475,709	\$ 1,346,249
Board designated fund	100,000	100,000
Total net assets without donor restrictions	\$ 1,575,709	\$ 1,446,249

Tomball Emergency Assistance Ministries, Inc.

Notes to Financial Statements

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30, 2022 and 2021 are restricted for the following purposes:

	2022	2021
Subject to expenditure for specified purpose:		
Food Pantry	\$ 30,975	\$ 25,418
Mustang Cat – Basic Needs Grant	19,780	-
Medical Grant	5,837	9,096
Hands-Up Ministry	2,058	4,746
COVID-19 Assistance Grant	-	4,689
Resale Shop	-	3,186
United Way – Basic Needs Grant	-	37,482
Total net assets with donor restrictions	\$ 58,650	\$ 84,617

NOTE 9 – RELEASES OF NET ASSETS WITH DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors. The following amounts were released from restrictions for the years ended September 30, 2022 and 2021:

	2022	2021
Satisfaction of purpose restriction:		
United Way – Basic Needs Grant	\$ 37,482	\$ 76,857
Food Pantry	2,086	1,311
Medical Grant	3,259	6,469
Hands-Up Ministry	2,688	141
Mustang Cat – Basic Needs Grant	220	-
COVID-19 Assistance Grant	4,689	500
Resale Shop	3,186	2,814
Dental Grant	-	55,826
Total net assets released from restrictions	\$ 53,610	\$ 143,918

NOTE 10 – NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board (FASB) issued new lease accounting requirements in ASU 2016-02, *Leases* with an effective date for entities with fiscal years beginning after December 15, 2021. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than twelve months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 16, 2023, the date the financial statements were available to be issued. No events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.