

**THE GABRIEL HOUSE, INC.**

**Plano, Texas**

**FINANCIAL STATEMENTS**

**As of**

**DECEMBER 31, 2018**

**TOGETHER WITH**

**INDEPENDENT AUDITORS' REPORT**

**Schnauffer & Walker, P.C.**  
*Certified Public Accountants*  
**Dallas, Texas**

**THE GABRIEL HOUSE, INC.**  
**FINANCIAL STATEMENTS**  
**Year Ended December 31, 2018**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
**The Gabriel House, Inc.**  
Plano, Texas

We have audited the accompanying financial statements of **The Gabriel House, Inc.** (a Texas not-for-profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors of  
**The Gabriel House, Inc.**  
Independent Auditors' Report

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **The Gabriel House, Inc.** as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Schnauffer & Walker, P.C.*

Dallas, Texas  
October 25, 2019

**THE GABRIEL HOUSE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2018**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 81,480
Investments	5,243
Prepaid expenses	1,088
<b>Total current assets</b>	<u>87,811</u>

Long-term assets:

Property and equipment - net of accumulated depreciation	308,137
Other assets	2,500
<b>Total long-term assets</b>	<u>310,637</u>

**TOTAL ASSETS**      \$ 398,448

**LIABILITIES**

Accounts payable	\$ 510
Accrued expenses	42,271
<b>TOTAL LIABILITIES</b>	<u>42,781</u>

Commitments and contingencies      -

**NET ASSETS**

Without donor restrictions	355,667
With donor restrictions	-
<b>TOTAL NET ASSETS</b>	<u>355,667</u>

**TOTAL LIABILITES AND NET ASSETS**      \$ 398,448

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

**THE GABRIEL HOUSE, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2018**

**CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:**

Operating:

Revenue and other support:

Donations	\$ 136,177
Special events	56,960
Gifts in-kind	31,105
Grants	20,000
Other income	3,310
<b>Total operating revenue and other support</b>	<u>247,552</u>

Expenses:

Program services:

Programs	211,230
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Supporting services:

Fundraising	26,947
Management and general	17,892

Total supporting services	<u>44,839</u>
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<b>Total operating expenses</b>	<u>256,069</u>
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<b>(Deficit) of operating revenue over expenses</b>	(8,517)
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<b>(DECREASE) IN NET ASSETS</b>	(8,517)
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<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>364,184</u>
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<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 355,667</u></u>
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The accompanying notes are an integral part of these financial statements.

THE GABRIEL HOUSE, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2018

	Program Services	Supporting Services			Totals
	Programs	Fundraising	Management and General	Total	
Salaries and related expenses:					
Salaries	\$ 78,356	\$ -	\$ 8,706	\$ 8,706	\$ 87,062
Payroll taxes	2,976	-	330	330	3,306
Total salaries and related expenses	81,332	-	9,036	9,036	90,368
Advertising	355	-	-	-	355
Bank fees	-	-	2,450	2,450	2,450
Books and subscriptions	-	-	69	69	69
Business	6,790	-	-	-	6,790
Cost of goods sold	4,865	-	-	-	4,865
Contract labor	-	-	126	126	126
Dues and memberships	-	-	350	350	350
Depreciation	9,225	-	485	485	9,710
Fundraising	-	26,947	-	26,947	26,947
Groceries	3,932	-	-	-	3,932
House operations	1,786	-	-	-	1,786
Insurance	8,948	-	-	-	8,948
Licenses and permits	249	-	-	-	249
Meetings and events	1,170	-	-	-	1,170
Postage and mailing	-	-	2,417	2,417	2,417
Printing and copying	-	-	1,521	1,521	1,521
Professional fees	5,222	-	-	-	5,222
Property tax	9,893	-	-	-	9,893
Rent	3,900	-	-	-	3,900
Rent - in-kind	27,600	-	-	-	27,600
Repairs and maintenance	11,690	-	-	-	11,690
Security	3,073	-	-	-	3,073
Supplies	10,654	-	-	-	10,654
Telephone	4,239	-	471	471	4,710
Transportation	2,725	-	-	-	2,725
Travel	4,884	-	-	-	4,884
Utilities	8,698	-	967	967	9,665
Totals	\$ 211,230	\$ 26,947	\$ 17,892	\$ 44,839	\$ 256,069

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

**THE GABRIEL HOUSE, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2018**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from donations	\$ 136,177
Cash received from special events	56,960
Cash received from grants	45,000
Cash received from other income	3,310
Cash paid for compensation and benefits	(87,062)
Cash paid for programs	(56,623)
Cash paid for fundraising	(26,947)
Cash paid for management and general	(5,921)
Cash paid for insurance	(8,948)
Cash paid for employer payroll taxes	(3,306)
Cash paid for bank fees	(2,450)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>50,190</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Acquisition of property and equipment	(308,543)
Sale of investments	274,082
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<u>(34,461)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Increase in restricted cash	-
<b>NET CASH (USED IN) FINANCING ACTIVITIES</b>	<u>-</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	15,729
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	65,751
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 81,480</u>
Supplemental cash flow disclosure:	
Contributed facilities, services and materials	\$ 31,105
<b>RECONCILIATION OF (DECREASE) IN NET ASSETS TO</b>	
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
(Decrease) in net assets	\$ (8,517)
Adjustments to reconcile (decrease) in net assets to net cash provided by operating activities:	
Depreciation	9,710
Loss on disposal of an asset	1,500
Changes in operating assets and liabilities:	
Decrease in accounts receivable	25,000
(Increase) in prepaid expenses	(392)
Decrease in other assets	975
Increase in accounts payable	278
Increase in accrued liabilities	21,636
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 50,190</u>

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



**THE GABRIEL HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES**

**The Gabriel House, Inc.** (the Organization) is a Texas not-for-profit 501(c)(3) corporation, based in Plano, Texas. It provides faith-based, cost free residences for homeless pregnant women. The Organization offers case management services with enriching programs to transform lives and brighten futures for mothers and their children. The Organization's revenue comes primarily from free-will donations, grants, in-kind goods and services and special events.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when incurred, irrespective of when paid. The financial statements of the Organization have been prepared using accounting principles generally accepted in the United States of America. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is in compliance with all federal tax filings for the years ended December 31, 2018.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with United States generally accepted accounting principles (GAAP) and include all accounts of the Organization. For financial reporting purposes, the Organization follows the reporting requirements of GAAP, which requires that resources be classified for accounting and reporting purposes based on the existence or absence of donor imposed restrictions. This is accomplished by the classification of net asset balances into two classes of net assets: without donor restrictions and with donor restrictions.

The Organization accounts for its funding in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, ASU No. 2016-14 - *Not-for-Profit Entities (Topic 958)*, which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to donor imposed restrictions. ASC Topic 958 requires that unconditional promises to give (pledges) be recorded as receivables and requires the Organization to distinguish between contributions received for

**THE GABRIEL HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

each net asset category in accordance with donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Descriptions of the two net asset categories are as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions.

With donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time.

Donations, grants, special event income and other income are recognized when earned, irrespective of when paid. Refundable advances are recorded when the revenue is earned, not received. Contributions are recognized as revenue when received or pledged and are recorded as net assets with donor restrictions and net assets without donor restrictions depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the contribution is accomplished, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

At December 31, 2018, there was no net assets with donor restrictions. At December 31, 2018, net assets without donor restrictions were \$355,667, have been designated to be used with the permission of the Board of Directors (the “Board”).

Fair Value of Financial Instruments

The Organization’s financial instruments consist of cash and cash equivalents, prepaid expenses, accounts payable and accrued expenses. Accounts receivable, prepaid expenses, accounts payable and accrued expenses are stated at cost which approximates fair value. Cash and cash equivalents are stated at fair value.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents. The Organization limits its exposure by controlling the cash balances it maintains in any one financial institution.

Prepaid Expenses

Prepaid expenses are expenses that have been paid in advance by the Organization. At December 31, 2018, prepaid expenses consisted of primarily prepaid insurance and had a balance of \$1,088.

**THE GABRIEL HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method, ranging from five to thirty-nine years. Expenditures for repairs and maintenance are charged to operating expense as incurred.

Impairment of Long-Lived Assets

The Organization assesses potential impairments to long-lived assets or asset groups when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recovered. An impairment loss is recognized when the carrying amount of the long-lived asset or asset group is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset or asset group is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group. Any required impairment loss is measured as the amount by which the carrying amount of a long-lived asset or asset group exceeds its fair value and is recorded as a reduction in the carrying value of the related asset or asset group and a charge to operating results. Intangible assets with indefinite lives are tested annually for impairment and in interim periods if certain events occur indicating that the carrying value of the intangible assets may be impaired. There were no such adjustments for impairment during the year ended December 31, 2018.

Other Assets

Other assets consist of a security deposit with an individual for a residential home lease, rent is \$0, and The Gabriel House is responsible for all repairs and improvements. As of December 31, 2018, the lease expired, was now month to month, and the security deposit is \$2,500.

Noncash Donations

Donated material, fixed assets and certain services are reflected as contributions at their estimated fair values on the date of receipt and are recorded in the appropriate asset or expense account. Services are recorded if they create or enhance nonfinancial assets or require special skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of time and service to the Organization's activities.

**THE GABRIEL HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Advertising and Marketing

The Organization charges advertising and marketing costs to operations in the year the expense is incurred. The advertising and marketing expenses were \$355 for the year ended December 31, 2018.

Classification of Revenue and Expense

Operating activities include items which are directly related to the Organization or are essential support elements of those programs. The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program activities and supporting services as shown in the statements of functional expenses. Depreciation has been allocated to the related program and supporting activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The updated guidance addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The main provisions of this guidance include: presentation of two net asset classes versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. The Organization has adjusted the presentation of these financial statements accordingly. The ASU has been applied retroactively to all periods presented.

**THE GABRIEL HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE C – FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted as shown in the statements of functional expenses. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort. Expenses are recorded when incurred in accordance with accrual basis of accounting.

**NOTE D – FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

As of December 31, 2018, financial assets and liquidity resources available within one year for general expenditures, such as ongoing operations and expansion efforts were as follows:

Cash and cash equivalents	\$ 81,480
Investments	<u>5,243</u>
Total financial assets, at year end	<u>86,723</u>
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with purpose restriction	<u>(-)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 86,723</u>

Expenses for ongoing operations are covered by a combination of monthly donations, special income, grants and other income. Average monthly revenue from ongoing operations in 2018, was \$18,307. Average monthly expenses for ongoing operations in 2018 was \$19,751. Thus, average monthly revenue from client fees covered 93% of average monthly expenses in 2018.

**NOTE E – CONTRIBUTED SERVICES AND MATERIALS**

For the year ended December 31, 2018, the Organization received and recognized total contributed gift in-kind facilities, services and materials of \$31,105. These amounts are included in revenue as contributions without donor restrictions and in the applicable expense and assets categories in the accompanying financial statements. In addition, the Organization received contributed services and materials which are not recognized as contributions in the financial statements since the recognition criteria under U.S. GAAP were not met.

**THE GABRIEL HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE F – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2018:

Property and equipment:	
Furniture and equipment	\$ 9,652
Building	287,992
Leasehold improvements	28,633
Accumulated depreciation	(18,140)
	<hr/>
	\$ 308,137
	<hr/> <hr/>

The Organization expensed \$9,710 to depreciation expense for the year ended December 31, 2018.

**NOTE G – LEASE**

The Organization leases a residential house in Dallas, Texas with an individual. The lease is for sixty months and matures in December 2022. At December 31, 2018, the Organization recognized \$27,600 in in-kind income and \$27,600 in in-kind rent expense related to the lease.

**NOTE H – COMMITMENTS AND CONTINGENCIES**

Contracts, grants and bequests require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions could result in the return of funds to the grantor. Although that remains a possibility, the Board deems such contingency remote since by accepting the gifts and their terms, the Organization has, in essence, accommodated the provisions of the gifts.

**NOTE I – SUBSEQUENT EVENTS**

FASB ASC 855-10 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. That is, whether that date represents the date the financial statements were issued or were available to be issued. The Organization has evaluated subsequent events for potential recognition and/or disclosure in these financial statements through October 25, 2019, the date that the financial statements were available to be issued.