

CASAS POR CRISTO

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

CASAS POR CRISTO

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Casas por Cristo

Report on the Financial Statements

We have audited the accompanying financial statements of Casas por Cristo (a nonprofit 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 significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Casas por Cristo 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.

Gibson Ruddle Patterson LLC

El Paso, Texas

March 7, 2019

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CASAS POR CRISTO

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

ASSETS

| | |
|-----------------------------|---------------------|
| Current Assets | |
| Cash and cash equivalents | \$ 472,094 |
| Accounts receivable | 142,358 |
| Note receivable | 10,729 |
| Prepaid expenses | 85,273 |
| Materials inventory | 179,473 |
| Merchandise inventory | <u>86,712</u> |
| Total current assets | 976,639 |
| Property and equipment, net | <u>1,544,588</u> |
| Total assets | <u>\$ 2,521,227</u> |

LIABILITIES AND NET ASSETS

| | |
|----------------------------------|---------------------|
| Liabilities | |
| Current Liabilities | |
| Accrued payable | \$ 115,565 |
| Accrued expenses | 36,937 |
| Deferred revenue | <u>274,081</u> |
| Total current liabilities | 426,583 |
| Funds held for others | <u>544</u> |
| Total liabilities | <u>427,127</u> |
| Net Assets | |
| Without donor restrictions | 2,055,199 |
| With donor restrictions | <u>38,901</u> |
| Total net assets | <u>2,094,100</u> |
| Total liabilities and net assets | <u>\$ 2,521,227</u> |

See notes to financial statements.

CASAS POR CRISTO

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--------------------------------------|---|--|--------------|
| Revenue and Support | | | |
| Project Revenue: | | | |
| Registration fees | \$ 138,000 | \$ - | \$ 138,000 |
| Project fees | 1,948,261 | - | 1,948,261 |
| Van rentals & team accommodations | 599,653 | - | 599,653 |
| Total project revenue | 2,685,914 | - | 2,685,914 |
| Contributions | 1,674,906 | 56,709 | 1,731,615 |
| Merchandise sales | 175,825 | - | 175,825 |
| Non cash donation of equipment | 1,000 | - | 1,000 |
| Net investment income | 6,829 | - | 6,829 |
| Proceeds from sale of assets | 1,250 | - | 1,250 |
| Net assets released from restriction | 24,001 | (24,001) | - |
| Total Revenue and support | 4,569,725 | 32,708 | 4,602,433 |
| Expenses | | | |
| Program | 2,958,215 | - | 2,958,215 |
| General and administrative | 989,483 | - | 989,483 |
| Fund raising | 246,227 | - | 246,227 |
| Total expenses | 4,193,925 | - | 4,193,925 |
| Change in net assets | 375,800 | 32,708 | 408,508 |
| Net Assets - Beginning of year | 1,679,399 | 6,193 | 1,685,592 |
| Net Assets - End of year | \$ 2,055,199 | \$ 38,901 | \$ 2,094,100 |

See notes to financial statements.

CASAS POR CRISTO

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

| | Program | General and Administrative | Fundraising | Total |
|-------------------------|---------------------|-------------------------------|-------------------|---------------------|
| Personnel salaries | \$ 975,474 | \$ 569,027 | \$ 81,289 | \$ 1,625,790 |
| Employee benefits | 181,063 | 105,620 | 15,088 | 301,771 |
| Payroll taxes | 61,332 | 35,777 | 5,111 | 102,220 |
| Building materials | 917,069 | - | - | 917,069 |
| Travel | 60,523 | 27,821 | 38,790 | 127,134 |
| Transportation | 162,391 | - | - | 162,391 |
| Supplies | 14,922 | 23,250 | 2,938 | 41,110 |
| Occupancy | 14,019 | 60,324 | - | 74,343 |
| International staff | 84,059 | - | - | 84,059 |
| Repairs and maintenance | 47,705 | 6,716 | - | 54,421 |
| Merchandise | - | - | 62,101 | 62,101 |
| Professional fees | 4,000 | 23,551 | - | 27,551 |
| Rent | 61,573 | - | - | 61,573 |
| Tools and equipment | 18,058 | 778 | - | 18,836 |
| Insurance | 28,840 | 8,040 | - | 36,880 |
| Promotion | 839 | 400 | 37,964 | 39,203 |
| Bank fees | - | 81,968 | - | 81,968 |
| Postage | 998 | 11,275 | 742 | 13,015 |
| Contracted services | 40,248 | 19,509 | - | 59,757 |
| Lodging | 66,772 | - | - | 66,772 |
| Meals | 191,884 | - | - | 191,884 |
| Sub total | 2,931,769 | 974,056 | 244,023 | 4,149,848 |
| Depreciation | 26,446 | 15,427 | 2,204 | 44,077 |
| Total expenses | <u>\$ 2,958,215</u> | <u>\$ 989,483</u> | <u>\$ 246,227</u> | <u>\$ 4,193,925</u> |

See notes to financial statements.

CASAS POR CRISTO

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

| | |
|---|--------------------------|
| Cash flows from operating activities: | |
| Change in net assets | \$ 408,508 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | |
| Depreciation | 44,077 |
| Capital campaign cash contributions | (240,709) |
| Stock contributions | (4,104) |
| Donated equipment | (1,000) |
| Realized gain on sale of assets | (1,250) |
| Unrealized gain | (152) |
| (Increase) decrease in: | |
| Accounts receivable | (39,772) |
| Note receivable | 7,558 |
| Prepaid expenses | 5,070 |
| Merchandise inventory | (36,224) |
| Build inventory | (50,677) |
| Increase (decrease) in: | |
| Accounts payable | 39,865 |
| Accrued expenses | 21,847 |
| Unearned revenue | (72,008) |
| Funds held for others | (511) |
| Net cash provided by (used in) operating activities | <u>80,518</u> |
| Cash flows from investing activities | |
| Purchase of capital assets | (537,134) |
| Proceeds from sale of assets | 1,250 |
| Proceeds from sale of investments | <u>81,804</u> |
| Net cash used in investing activities | <u>(454,080)</u> |
| Cash flows from financing activities | |
| Cash contributions for capital campaign | <u>240,709</u> |
| Net cash provided by financing activities | <u>240,709</u> |
| Net increase (decrease) in cash and cash equivalents | (132,853) |
| Cash and cash equivalents, beginning of year | <u>604,947</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 472,094</u></u> |
| Non-cash investing activities: | |
| Contribution of stock | \$ 4,104 |
| Donated equipment | \$ 1,000 |

See notes to financial statements.

CASAS POR CRISTO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Casas por Cristo (Casas, We, us, our) is a non-profit organization that was established under the laws of the State of Texas in August of 1993. The purpose of Casas is for the relief of the poor, the distressed and the underprivileged, particularly in the area of housing. We are committed to providing safe and secure housing to those in need and to bettering the quality of life of each family we serve. Headquartered in El Paso, Texas, Casas builds homes for families in sub-standard living conditions in Juárez and Acuña, Mexico, San Raymundo, Guatemala, and Santiago, Dominican Republic to achieve its purpose.

Basis of Accounting and Presentation

The accompanying financial statements are presented on the accrual basis of accounting and conform with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, including money market accounts, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Accounts Receivable

Accounts receivable consist primarily of contributions received by a third party but have not yet been remitted to us. No allowance for uncollectible accounts receivable is maintained as we believe the accounts to be fully collectible. Accounts receivable are written off when deemed uncollectible. Generally accepted accounting principles require that an allowance for uncollectible accounts be maintained in lieu of the direct charge-off method.

Promises to Give

We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at face value. Promises to give are written off when deemed uncollectible. There were no unconditional promises to give at December 31, 2018.

Inventory

Our merchandise inventory comprises t-shirts, blankets, caps, and other merchandise with the Casas por Cristo logo. Gift shop inventory is valued at the lower of cost or market value determined by a weighted average cost method.

(Continued)

CASAS POR CRISTO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

We also have materials inventory that consists of materials that will be used to build houses in Mexico, Guatemala and the Dominican Republic. Materials inventory is valued at the lower of cost or market value determined on a first-in first-out basis.

Property and Equipment

We record property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2018.

Deferred Revenues

Deferred revenues are project fees that have been received for builds that have not been started.

Net Assets

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

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

(Continued)

CASAS POR CRISTO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. **PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the 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.

Revenue and Revenue Recognition

Revenue is recognized when earned. Project fees, van rentals and team accommodation payments received in advance are deferred to the applicable period in which the related services are performed. Registration fees are recognized when received. Merchandise sales are recognized at the time of the sale.

Contributions are recognized when cash, securities or other assets are received. Unconditional promises to give are recorded when made in writing. Verbal promises to give are not recorded. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Our main sources of revenue come from project fees for builds in Juarez and Acuña, Mexico, San Raymundo, Guatemala, and Santiago, Dominican Republic.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed materials, supplies and equipment are recorded at fair value at the date of donation. We record donated professional services at the respective fair value of the services received. No significant contributions of such goods or services were received during the year ended December 31, 2018.

Advertising

Advertising expenses are expenses as incurred. In 2018, advertising expenses were \$39,203.

Functional Allocation of Expenses

The costs of programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of the expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

(Continued)

CASAS POR CRISTO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Casas por Cristo is organized as a Texas nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi), and (viii), has been determined not to be a private foundation under IRC Sections 509(a)(1). Casas is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, Casas is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. We have determined that we are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, money market accounts and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured accounts. To date, we have not experienced losses on any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update 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 income. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

Subsequent Events

We have evaluated subsequent events through March 7, 2019, the date the financial statements were available to be issued.

(Continued)

CASAS POR CRISTO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | | |
|---------------------------|----|-----------------------|
| Cash and cash equivalents | \$ | 472,094 |
| Accounts receivable | | <u>142,358</u> |
| | \$ | <u><u>614,452</u></u> |

As part of our liquidity management plan, we invest cash in excess of daily requirements in money market funds or short term investments. Occasionally, the Board designates a portion of any operating surplus to its operating reserve. There were no designations as of December 31, 2018.

3. NOTE RECEIVABLE

In 2015, we loaned \$30,000 to an organization in the Dominican Republic so they could purchase a bus. The loan is interest free and is to be repaid as the bus is used. A minimum of \$500 and a maximum of \$2,000 will be paid for each group that goes to the Dominican Republic to build a house. The balance of the note as of December 31, 2018 was \$10,729.

4. PROPERTY AND EQUIPMENT

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

| | | <u>Depreciable Lives</u> |
|-------------------------------|----------------------------|------------------------------|
| Land | \$ 381,100 | |
| Buildings and improvements | 199,030 | 20-40 years |
| Vehicles | 156,852 | 5 years |
| Field equipment | 81,205 | 7 years |
| Office equipment | 50,110 | 7 years |
| Office furniture | 17,487 | 7 years |
| Work in progress | <u>922,948</u> | |
| Property and equipment | 1,808,732 | |
| Less accumulated depreciation | <u>(264,144)</u> | |
| Property and equipment, net | <u><u>\$ 1,544,588</u></u> | |

Depreciation expense totaled \$44,077 for the year ended December 31, 2018.

(Continued)

CASAS POR CRISTO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

5. RELATED PARTIES

On September 30, 2005, Casas por Cristo, Asociacion Civil was founded in Juarez, Chihuahua Mexico by David Robertson (President), Jason Laffan (Secretary), and Peter Dockery (Treasurer). Casas por Cristo, Asociacion Civil is funded by Casas por Cristo, Inc.'s regular operations. No transactions have taken place between the two entities since December 31, 2012.

6. OPERATING LEASES

We lease nine vehicles under seven year noncancelable leases. All nine leased vehicles were prepaid. Two leases expire in 2019, one expires in 2020, two expire in 2021, three expire in 2022, and one expires in 2024. The prepaid amount is amortized over the life of the lease on a straight line basis. Rent expense totaled \$12,427 for the vehicles in 2018.

7. CONCENTRATION OF CREDIT RISK

We maintain cash balances at two FDIC insured banks. One account was in excess of FDIC limits by \$6,576 at December 31, 2018. At December 31, 2018, we had cash balances in three foreign bank accounts totaling \$13,145. The foreign bank accounts are not insured. The cash balance of \$120,589 at the Solomon Foundation is not insured.

8. CONCENTRATIONS

Major Supplier and Vendor

In 2018, materials worth \$109,377 were purchased from one supplier in the U.S. We also paid an organization in Guatemala \$144,004 for meals, lodging, and transportation costs related to team builds.

Foreign Building Operations

We build homes for families in sub-standard living conditions in Juárez and Acuña, Mexico, San Raymundo, Guatemala, and Santiago, Dominican Republic. Materials for builds in the Dominican Republic and Guatemala are purchased in those countries and the amounts are converted to U.S. dollars. Foreign operations are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, or foreign exchange controls, and restrictions on currency exchange. At December 31, 2018, we had \$8,567 in the Guatemalan bank account and \$4,578 in the Dominican Republic bank accounts. The exchange rate loss for 2018 was \$7,262. The loss is reported as bank fees on the statement of functional expenses.

(Continued)

CASAS POR CRISTO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

9. RETIREMENT PLAN

We sponsor a tax deferred Simple-IRA plan qualified under Internal Revenue Code under Section 408(p) covering all employees. All employees are immediately eligible to participate in the plan. The Plan allows for voluntary employee contributions up to the limits as defined in the Internal Revenue Code. The employer has made a safe harbor election and thus is required to make a contribution of 2% of compensation for each eligible employee, regardless of whether the eligible employee elects to make elective deferrals to the plan. Our contribution for the year ended December 31, 2018 was \$31,481.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

Subject to expenditure for specified purpose:

| | |
|----------------|------------------|
| Intern program | <u>\$ 38,901</u> |
|----------------|------------------|

Net assets released from donor restrictions during 2018 by incurring expenses satisfying the restricted purpose as follows:

Satisfaction of purpose restrictions:

| | |
|----------------|------------------|
| Intern program | <u>\$ 24,001</u> |
|----------------|------------------|

11. "A TIME TO BUILD" CAPITAL CAMPAIGN AND RESTRICTED CASH

In 2016, we began a capital campaign to build a new administration building on the land that we own. In 2018, we received cash contributions of \$240,709 for the campaign and we spent all of it on the construction of the new building. There were no restricted cash at year end.

In 2016, our Board of Directors designated \$200,000 of unrestricted cash for the capital campaign. In 2018, we spent the remaining balance of the designated funds on the new building.

12. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to our program or a supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as personnel salaries, employee benefits, payroll taxes, insurance and supplies, which are allocated on the basis of estimates of time and effort.