The Storehouse of Collin County

Financial Statements
with Supplementary Information and Compliance Reports
June 30, 2022 and 2021

Sutton Frost Cary LLP
Certified Public Accountants

The Storehouse of Collin County

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Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' Report

Board of Directors
The Storehouse of Collin County

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Storehouse of Collin County (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 present fairly, in all material respects, the financial position of The Storehouse of Collin County as of June 30, 2022 and 2021, and the changes in its net assets and 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 for 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 Storehouse of Collin County 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 opinions.

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 Storehouse of Collin County's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 Storehouse of Collin County'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 Storehouse of Collin County'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 schedule of expenditures of federal awards 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 November 7, 2022 on our consideration of The Storehouse of Collin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Storehouse of Collin County'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 Storehouse of Collin County's internal control over financial reporting and compliance.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
November 7, 2022

The Storehouse of Collin County
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 1,144,223	$ 1,494,057
Investments	490,140	-
Inventory	164,688	132,105
Prepaid expenses	2,290	2,945
Total current assets	1,801,341	1,629,107
Property and equipment, net	58,303	73,705
Total assets	$ 1,859,644	$ 1,702,812
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 17,825	$ 11,646
Accrued expenses	104,232	73,793
Total liabilities	122,057	85,439
Net assets:		
Without donor restrictions	1,630,936	1,568,866
With donor restrictions	106,651	48,507
Total net assets	1,737,587	1,617,373
Total liabilities and net assets	$ 1,859,644	$ 1,702,812

See notes to financial statements.

The Storehouse of Collin County
Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions of cash and financial assets	$ 1,417,240	$ 143,360	$ 1,560,600
Contributions of nonfinancial assets	6,897,314	-	6,897,314
Net assets released from restriction	85,216	(85,216)	-
Total revenue and support	8,399,770	58,144	8,457,914
Operating expenses:			
Program services	7,943,728	-	7,943,728
Management and general	248,263	-	248,263
Fundraising	135,849	-	135,849
Total operating expenses	8,327,840	-	8,327,840
Excess of revenue over operating expenses	71,930	58,144	130,074
Non-operating income (loss):			
Unrealized loss on investments	(13,526)	-	(13,526)
Dividend income	3,666	-	3,666
Total non-operating income (loss)	(9,860)	-	(9,860)
Change in net assets	62,070	58,144	120,214
Net assets at beginning of year	1,568,866	48,507	1,617,373
Net assets at end of year	$ 1,630,936	$ 106,651	$ 1,737,587

See notes to financial statements.

The Storehouse of Collin County
Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions of cash and financial assets	$ 1,647,289	$ 7,900	$ 1,655,189
Contributions of nonfinancial assets	3,733,707	-	3,733,707
Net assets released from restriction	7,265	(7,265)	-
Total revenue and support	5,388,261	635	5,388,896
Operating expenses:			
Program services	4,393,071	-	4,393,071
Management and general	175,754		175,754
Fundraising	114,939	-	114,939
Total operating expenses	4,683,764	-	4,683,764
Change in net assets	704,497	635	705,132
Net assets at beginning of year	864,369	47,872	912,241
Net assets at end of year	$ 1,568,866	$ 48,507	$ 1,617,373

See notes to financial statements.

The Storehouse of Collin County
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services				Total			
	Seven Loaves	Joseph's Coat	Project Hope	Academy	Program Services	Management and General	Fundraising	Total
Assistance	$ 5,935,740	$ 903,537	$ 31,972	$ 5,777	$ 6,877,026	$ -	$ -	$ 6,877,026
Payroll	261,974	174,423	211,423	142,101	789,921	72,382	69,754	932,057
Contract services	57,711	18,970	9,675	7,423	93,779	105,973	39,014	238,766
Rent and utilities	86,147	5,705	1,902	-	93,754	16,371	-	110,125
Bank/Online Fees	-	-	-	-	-	2,439	5,690	8,129
Insurance	6,372	-	-	-	6,372	14,867	-	21,239
Depreciation	15,402	-	-	-	15,402	-	-	15,402
Miscellaneous	41,423	7,225	11,258	7,568	67,474	36,231	21,391	125,096
Total	$ 6,404,769	$ 1,109,860	$ 266,230	$ 162,869	$ 7,943,728	$ 248,263	$ 135,849	$ 8,327,840

See notes to financial statements.

The Storehouse of Collin County
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services			Total			
	Seven Loaves	Joseph's Coat	Project Hope	Total Program Services	Management and General	Fundraising	Total
Assistance	$ 3,092,217	$ 577,468	$ 21,826	$ 3,691,511	$ -	$ -	$ 3,691,511
Payroll	206,977	129,361	181,105	517,443	84,110	45,276	646,829
Contract services	29,794	12,834	2,903	45,531	24,389	47,736	117,656
Rent and utilities	82,025	4,988	1,750	88,763	7,770	-	96,533
Bank/Online Fees	-	-	-	-	5,964	13,916	19,880
Insurance	5,906	-	-	5,906	13,780	-	19,686
Depreciation	18,245	-	-	18,245	-	-	18,245
Miscellaneous	21,741	2,401	1,530	25,672	39,741	8,011	73,424
Total	$ 3,456,905	$ 727,052	$ 209,114	$ 4,393,071	$ 175,754	$ 114,939	$ 4,683,764

See notes to financial statements.

The Storehouse of Collin County
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 120,214	$ 705,132
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,402	18,245
Unrealized loss on investments	13,526	-
Changes in operating assets and liabilities:		
Grant receivable	-	29,338
Inventory	(32,583)	(20,314)
Prepaid expenses	655	(224)
Other assets	-	1,640
Accounts payable	6,179	5,904
Accrued expenses	30,439	56,194
Net cash provided by operating activities	153,832	795,915
Cash flows from investing activities:		
Purchases of investments	(503,666)	-
Net cash and cash equivalents used by investing activities	(503,666)	-
Cash and cash equivalents at beginning of year	1,494,057	698,142
Cash and cash equivalents at end of year	$ 1,144,223	$ 1,494,057

See notes to financial statements.

1. Organization

The Storehouse of Collin County (Organization), formerly Common Unity, Inc., was incorporated September 21, 2009, under the laws of the state of Texas and approved May 11, 2010, as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (Code). The Organization was formed with the mission to holistically assist Collin County residents in crisis meet the most basic human needs. The Organization provides nutritional supplemental food, gently used clothing and household goods, access to transforming social services, limited financial support, education and training and other living necessities to individuals and families residing in Collin County zip codes. The Texas Commodity Assistance Program guidelines and published U.S. poverty levels serve as guidelines to determine need and to identify individuals and families who qualify to receive Organization resources.

The Organization's office and facilities are located in St. Andrew United Methodist Church (Church). The Church contributes facilities and personnel services to the Organization but does not exhibit managerial or financial control over the operations of the Organization (Note 5).

The Organization is primarily supported by contributions from individuals, other organizations and the Church.

Programs

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

> *Seven Loaves Food Pantry* – This food program serves food to more than 4,500 families monthly. Fresh produce, canned goods, meat and dairy are provided to eligible families at no cost.
>
> *Joseph's Coat* –This program distributes new and gently used clothing for families at no cost and allows neighbors to receive clothing for job interviews, school and special events.
>
> *Project Hope* – This is an empowerment based program of case management, counseling and referrals to other social service agencies to assist neighbors with needs other than food or clothing.
>
> *Storehouse Academy* – Launched in 2022, this program offers neighbors language skills, job skills and life skills training.

2. Summary of Significant Accounting Policies

The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America (GAAP). The more significant accounting policies of the Organization are described below.

Basis of Accounting

The Organization prepares the financial statements on the accrual basis of accounting in accordance with GAAP.

Financial Statement Presentation

Net assets and revenues, expenses, 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-imposed stipulations. 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 that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a board approved spending policy. As of June 30, 2022 and 2021, no such net asset restrictions existed.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Financial Instruments and Credit Risk Concentrations

Financial instruments, which are potentially subject to concentrations of credit risk, consist principally of cash, cash equivalents and marketable securities. The Organization maintains cash balances at various financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to $250,000. At June 30, 2022, the Organization's uninsured balances totaled $418,641. Management has placed these funds with high credit quality financial institutions to minimize risk. The Organization has not experienced any losses on such assets.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments purchased with a remaining maturity of three months or less to be cash and cash equivalents.

Investments

Investments in marketable securities are stated at fair value. Realized and unrealized gains and losses, as well as related investment income, are reflected in the statements of activities.

Inventory

The Organization's inventory consists of purchased and donated perishable and non-perishable food items, clothing and gift cards. These items are distributed to clients free of charge. Inventory is valued at an estimated amount of $1.70 and $1.62 per pound at June 30, 2022 and 2021, respectively, and/or at the cost of products purchased. Clothing is valued at thrift shop value and gift cards are valued at the redemption value.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost or if acquired by gift, fair market value at the date of the gift. The fair value of donated fixed assets is capitalized. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of $5,000. Depreciation is calculated using the straight-line method based upon the estimated useful lives of the assets which range from 3 to 10 years.

Revenue Recognition

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give (pledges 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.

The Organization recognizes contribution revenue for professional services 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.

The Organization receives donated food and grocery products from the general public, food drives, philanthropic and compassion agencies, members of the Church and other area churches, the North Texas Food Bank and local area merchants. These donations are valued as of the latest valuation study of Feeding America. As need and/or availability arises, various food types are also purchased, primarily through the North Texas Food Bank. 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 noncash contributions upon receipt of goods and as noncash assistance expense when provided to the Organization's clients.

Donated use of facilities and utilities are primarily donated by the Church and are reflected as contributions at their estimated fair values at date of receipt.

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

Federal Income Taxes

The Organization is exempt from federal income tax under section 501(c)(3) of the Code and has not been classified as a private foundation as defined in the Code. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under Code Section 511. The Organization had no unrelated business income for the years ended June 30, 2022 and 2021. 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 June 30, 2022 and 2021, 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.

Allocation of Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

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 assets and liabilities and disclosure of contingent 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 estimated.

Reclassification

Reclassifications related to the regrouping of donated financial assets referenced in the Accounting Pronouncements Adopted section have been made to the June 30, 2021 financial statements to be consistent with the June 30, 2022 presentation.

New Accounting Pronouncement

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

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

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

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

Accounting Pronouncement Adopted

The Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). ASU 2020-07 increases transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in ASU 2020-07 address stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. ASU 2020-07 requires NFPs to present contributed nonfinancial assets (In-kind contributions) as a separate line item in the statement of activities. The Organization has adopted this ASU on the retrospective basis as of and for the year ended June 30, 2022.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes in-kind contributions, and therefore, no changes were required to net assets as of July 1, 2020. The presentation and disclosures of in-kind contributions have been enhanced in accordance with the standard.

3. Investments

The Organization records financial instruments at estimated fair value. Fair value accounting defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities as of the reporting date;

Level 2 Observable inputs other than Level 1 prices, such as quoted prices in active markets for similar assets or other inputs that are observable or can be corroborated by observable market date for substantially the full term of the assets;

Level 3 Unobservable inputs that are supported by little or no market activity and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Specialty Fund

The Organization invests in a proprietary investment vehicle managed by HighGround Advisors (HighGround) valued using the net asset value (NAV) provided by HighGround. The NAV is based on the value of the underlying assets owned by the fund, less its liabilities, and then divided by the number of shares outstanding. HighGround's proprietary fund invests in a diversified portfolio including, among others, equity securities, bonds, marketable alternatives, investments in private equity funds, real estate and mineral rights.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2022:

	Level 1	Total
Pooled separate accounts measured at NAV *	$ -	$ 490,140

*Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The Organization's investment in the HighGround proprietary fund represents 100% of total investments as of June 30, 2022.

Investment income consists of the following for the year ended June 30,2022:

Dividend income, net	$	3,666
Unrealized loss on investments		(13,526)
	$	(9,860)

4. Property and Equipment

Property and equipment are summarized as follows at June 30:

	2022		2021	
Vehicles	$	71,771	$	71,771
Refrigerators and freezers		117,499		117,499
Total		189,270		189,270
Less: accumulated depreciation		(130,967)		(115,565)
	$	58,303	$	73,705

Depreciation expense totaled $15,402 and $18,245 for the years ended June 30, 2022 and 2021, respectively.

5. Relationship with St. Andrew United Methodist Church

As stated in Note 1, the Organization utilizes facilities and utilities provided by the Church for office, warehousing, food storage and distribution. The Church also donates administrative and clerical support services. All payroll and benefit expenses of the Organization are paid through the Church. The Church invoices for a portion of the payroll and supporting services; the remainder is reflected in the accompanying financial statements as in-kind donations and in-kind expenses.

The amount contributed by the Church and recognizable under GAAP is reflected in the accompanying financial statements. The Organization received in-kind rent and utilities totaling $95,080 and $83,195, during the years ended June 30, 2022 and 2021, respectively. The Organization received contributed services with a total value of $1,400 and $1,400 during the years ended June 30, 2022 and 2021, respectively.

In addition, the Church made contributions totaling $51,000 to the Organization during the years ended June 30, 2022 and 2021, respectively.

While the Organization and the Church do not have a formal relationship and do not share common governance control, it is unlikely that the Organization could continue its programs and operations at its current level without the space provided by the Church.

6. Concentrations

In-kind donations represented 82% and 69% of total revenue for the years ended June 30, 2022 and 2021, respectively. For the years ended June 30, 2022 and 2021, 30% and 49% of contributions were received from one donor and three donors, respectively.

7. Board-Designated Quasi-Endowment

The Organization’s quasi-endowment consists of funds designated by the board of directors to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

This board-designated quasi-endowment was established to provide a future stream of revenue to offset the operating costs of the Organization. The quasi-endowment target is $1 million corpus before distributions are made.

Net assets without donor restrictions as of June 30, 2022 include $490,140 in net assets designated by the board of directors as a quasi-endowment.

The summary of changes in quasi-endowment assets for the year ended June 30, 2022 are as follows:

	Without Donor Restrictions
Quasi-endowment net assets, June 30, 2021	$ -
Additions	500,000
Investment return :	
Investment income	3,666
Net unrealized loss	(13,526)
Total investment loss	(9,860)
Quasi-endowment net assets, June 30, 2022	$ 490,140

Quasi-Endowment Investment and Spending Policies

The Organization has adopted investment and spending policies for quasi-endowment assets that attempt to provide a predictable stream of funding to the Organization. The Organization has a spending policy of appropriating for distribution each year an amount deemed prudent to carry out the programs of the Organization and not to exceed the accumulated earnings in excess of the corpus. Distributions consist of net investment income and may, under certain conditions, include a portion of the cumulative realized and unrealized gains and losses.

Under the investment policy, as approved by the board of directors, the quasi-endowment assets are invested in a manner that is intended to achieve an average total annual rate of return, which exceed the average annual return of the combined benchmark allocations while assuming a moderate level of investment risk. Returns may vary significantly from this target from year to year.

To satisfy its long-term return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

8. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of amounts restricted by donors for the following purposes at June 30:

	2022	2021
Academy	$ 106,651	$ -
Van purchase	-	39,987
Project Hope	-	6,520
Halff Community Initiative	-	2,000
	$ 106,651	$ 48,507

9. Service Agreements

On January 3, 2019, the Organization entered into a service agreement (Agreement) with the North Texas Food Bank (NTFB) to provide food distribution services in the Plano, Texas region. Under the Agreement, NTFB will pay for or provide various equipment for the Organization required to provide services under the Agreement. The contract specifies that should the Organization cancel the Agreement before the expiration date of May 7, 2024, NTFB has the right to repossess any equipment not permanently attached to the building. The Organization has no plans to cancel the Agreement; as such, all NTFB-provided equipment have been capitalized by the Organization and are being depreciated over the assets' useful lives. The amount at risk, should the agreement be terminated early, is $118,455 of property and equipment as of June 30, 2022 and 2021.

10. Contributions of Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets during the year ended June 30, 2022:

	Program Services	Management and General	Fundraising	Total
Food	$ 5,815,302	$ -	$ -	$ 5,815,302
Clothing	936,477	-	-	936,477
Rent	86,523	8,557	-	95,080
Services	36,220	7,894	2,322	46,436
Miscellaneous	4,019	-	-	4,019
	$ 6,878,541	$ 16,451	$ 2,322	$ 6,897,314

The Organization received the following contributions of nonfinancial assets during the year ended June 30, 2021:

	Program Services	Management and General	Fundraising	Total
Food	$ 2,992,039	$ -	$ -	$ 2,992,039
Clothing	640,349	-	-	640,349
Rent	75,707	7,488	-	83,195
Services	1,626	354	104	2,084
Miscellaneous	16,040	-	-	16,040
	$ 3,725,761	$ 7,842	$ 104	$ 3,733,707

Food

Contributed foods are reported at the prices of $1.70 and $1.62 per pound per the NTFB at June 30, 2022 and 2021, respectively.

Clothing

Contributed clothing is reported at the market value of similar clothing for sale online or clothing values at other charities.

Rent

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

Services

Contributed services are valued and reported at the standard invoice rate offered by the donor.

Miscellaneous

Miscellaneous goods are reported at the market value of similar goods for sale online.

11. Liquidity and Availability of Resources

	2022	2021
Cash and cash equivalents	$ 1,144,223	$ 1,494,057
Investments	490,140	-
Total financial assets	1,634,363	1,494,057
Less amounts unavailable for general expenditures within one year, due to:		
Board-designated quasi-endowment	490,140	-
Total financial assets available to meet cash needs for general expenditures within one year	$ 1,144,223	$ 1,494,057

The Organization strives to maintain liquid financial assets sufficient to cover near-term operating needs, and to maintain sufficient reserves to provide reasonable assurance that long-term obligations will be fulfilled. In addition, the board-designated quasi-endowment could be made available by action of the board of directors, if necessary. To achieve this, the Organization forecasts its future cash flows and monitors its liquidity monthly. During the years ended June 30, 2022 and 2021, the level of liquidity was managed within the Organization's expectations.

12. Subsequent Events

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

The Storehouse of Collin County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Agency/Cluster/ Pass-through Grantor/Program Title	ALN #	Pass-through Grantor's #	Federal Expenditures
Food Distribution Cluster			
U.S. Department of Agriculture:			
North Texas Food Bank			
Emergency Food Assistance Program - Food Commodities	10.569	N/A	$ 1,379,321
Total Food Distribution Cluster			1,379,321
U.S. Department of Housing and Urban Development:			
North Texas Food Bank			
Community Development Block Grants - COVID-19	14.228	CARES ACT	205,456
Total U.S. Department of Housing and Urban Development			205,456
U.S. Department of Homeland Security - Federal Emergency Management Agency:			
North Texas Food Bank			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	354,567
Total U.S. Department of Homeland Security - Federal Emergency Management Agency			354,567
Total expenditures of federal awards			$ 1,939,344

See notes to schedule of expenditures of federal awards.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of The Storehouse of Collin County (Organization) under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the 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 presents only a selected portion of the operations of the Organization, it is not intended to 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 and continues to use the cost allocation plan negotiated individually with its grantors.

Non-monetary assistance is reported in the Schedule at the fair market value of the commodities received and distributed. At June 30, 2022 and 2021, the Organization had food commodities totaling $57,408 and $61,891, respectively, in inventory.

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*

Board of Directors
The Storehouse of Collin County

We have audited, in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Storehouse of Collin County (Organization), which comprise the statement of financial position as of June 30, 2022, 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 November 7, 2022.

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) as a basis for designing 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. 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 may exist that have not been 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
November 7, 2022

Sutton Frost Cary LLP
Certified Public Accountants

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

Board of Directors
The Storehouse of Collin County

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Storehouse of Collin County'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 June 30, 2022. 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 June 30, 2022.

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.

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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 Organization's federal programs.

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 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 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.

Report on Internal Control over Compliance

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 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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. 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
November 7, 2022

The Storehouse of Collin County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

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

Identification of major federal programs:

ALN 10.569 Emergency Food Assistance Program

Dollar threshold used to distinguish between type A and B programs:	$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>

None

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

Not applicable