

THE FIELD'S EDGE, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Field's Edge, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Field's Edge, Inc., (the Organization), which comprise of the statement of financial position as of December 31, 2019, and the related statements of activities, cash flows, and functional expenses 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. 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 risk 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 in the first paragraph present fairly, in all material respects, the financial position of the Organization, as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Odessa, Texas
June 16, 2020



THE FIELD'S EDGE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

	2019
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,280,126
Accounts Receivable	33,763
Prepaid Expense	750
Unconditional Promise to Give, Net	8,000
TOTAL CURRENT ASSETS	1,322,639
PROPERTY AND EQUIPMENT - NET	
Land	1,001,650
2016 Wildwood RV	12,500
Llamas	4,000
Office Equipment	3,731
Less: Accumulated Depreciation	(508)
Total Property and equipment (net)	1,021,373
Unconditional Promise to Give, Net-Long Term	97,987
TOTAL ASSETS	\$ 2,441,999

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 5,964
TOTAL CURRENT LIABILITIES	5,964
NET ASSETS	
Without Donor Restrictions	269,517
With Donor Restrictions	2,166,518
TOTAL NET ASSETS	2,436,035
TOTAL LIABILITIES AND NET ASSETS	\$ 2,441,999

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

THE FIELD'S EDGE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>2019</u>
Public Support and Revenue			
Direct Public Support	\$ 241,492	\$ 377	\$ 241,869
Indirect Public Support	520	150	670
Non-Cash Contributions	12,500	999,300	1,011,800
Capital Campaign	-	964,514	964,514
Investment Income	-	4,452	4,452
In Kind	2,680	-	2,680
Net Assets released from restrictions:			
Satisfaction of purpose restriction	<u>3,018</u>	<u>(3,018)</u>	<u>-</u>
 Total Revenue and Support	 260,210	 1,965,775	 2,225,985
 Expenses:			
Program Services	20,900	-	20,900
Management and General	106,463	-	106,463
Fundraising	<u>34,666</u>	<u>-</u>	<u>34,666</u>
 Total Operating Expenses	 162,029	 -	 162,029
 CHANGE IN NET ASSETS	 98,181	 1,965,775	 2,063,956
Net Assets at Beginning of Year	<u>171,336</u>	<u>200,743</u>	<u>372,079</u>
Net Assets at End of Year	<u>\$ 269,517</u>	<u>\$ 2,166,518</u>	<u>\$ 2,436,035</u>

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

THE FIELD'S EDGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program</u>	Management and <u>General</u>	<u>Fundraising</u>	<u>2019</u>
Salaries	\$ -	\$ 59,568	\$ -	\$ 59,568
Payroll taxes	-	5,291	-	5,291
Processing Fees	<u>-</u>	<u>1,344</u>	<u>-</u>	<u>1,344</u>
 Total Salary and Related Expense	 -	 66,203	 -	 66,203
 Accounting	 -	 1,900	 -	 1,900
Advertising	-	1,130	-	1,130
Bad Debt	-	2,068	-	2,068
Charitable Contributions	-	563	-	563
Conferences & Meetings	-	1,225	-	1,225
Contract/Consulting Services	20,900	-	-	22,981
Contract Fundraising	-	-	34,666	32,585
Insurance	-	1,999	-	1,999
Office Expenses	-	9,172	-	9,172
Occupancy	-	17,068	-	14,388
Other Expenses	<u>-</u>	<u>4,627</u>	<u>-</u>	<u>4,627</u>
 Total expenses before depreciation	 <u>22,981</u>	 <u>105,955</u>	 <u>32,585</u>	 <u>161,521</u>
 Depreciation expense	 <u>-</u>	 <u>508</u>	 <u>-</u>	 <u>508</u>
 Total Functional Expenses	 <u>\$ 20,900</u>	 <u>\$ 106,463</u>	 <u>\$ 34,666</u>	 <u>\$ 162,029</u>

The accompanying notes are an integral part of these financial statements

THE FIELD'S EDGE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash collected from revenue and other support	\$ 2,079,103
Cash paid for operating expenses	(153,627)
Interest received	<u>4,452</u>
NET CASH PROVIDED (USED) BY OPERATIONS	1,929,928
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	(22,581)
Land - Contributed	<u>(999,300)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,021,881)
Net increase (decrease) in cash and cash equivalents	908,047
CASH at beginning of year	<u>372,079</u>
CASH at end of year	<u>\$ 1,280,126</u>
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Increase (decrease) in net assets	\$ 2,063,956
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	508
Accounts Receivable	(33,763)
Prepaid Expenses	(750)
Accounts Payable	5,964
Unconditional Promise to Give	<u>(105,987)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,929,928</u>

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

THE FIELD'S EDGE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – ORGANIZATION

The Field's Edge, Inc., (the Organization) is a nonprofit organization under the laws of the State of Texas. The Organization's purpose is to promote human dignity by cultivating homes for the homeless and empowering lifestyle of service for the glory of Christ. The Organization's support comes primarily from individual and business contributions.

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 consistent with generally accepted accounting principles applicable to voluntary health and welfare organizations in the United States of America.

Property and Equipment

Property and equipment are carried at cost. In the case of donated assets, cost is determined based on the fair value of the donated asset at the time of donation. Depreciation is computed using the straight-line method over estimated useful lives of five to thirty-nine years using the straight-line method.

Major renewals and betterments are added to the property and equipment accounts, while the cost of repairs and maintenance are charged to operations in the period incurred. With respect to dispositions of assets, the costs of assets retired or otherwise disposed of and the applicable accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in operations.

Contributed Services

The Organization's receives a substantial amount of services donated by volunteers in carrying out the Organization's mission. No amounts have been recognized in the statement of activities because the criteria for recognition of such volunteer effort under authoritative literature have not been satisfied.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of twelve months or less when purchased to be cash equivalents.

Concentration of Credit Risk

The Organization maintains its cash balances in a couple of accounts, in an institution. The amount on deposit at December 31, 2019 exceeded the \$250,000 federally insured limit. The Organization has not experienced any losses in such account. Management believes the Organization is not exposed to any significant credit risk related to cash.

THE FIELD'S EDGE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 estimates.

Federal Income Taxes

The Organization is a nonprofit organization as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Management is required to evaluate the tax positions taken by the Organization and recognize a tax liability if the organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS.

Management has analyzed the tax positions of the Organization and has concluded that as of December 31, 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization's form 990 are subject to examination by the IRS, generally for three years after they were filed. Management believes it is no longer subject to income tax examination for years prior to 2016.

Total Columns

Total columns represent a summary of information for memorandum purposes only and are not intended to present consolidated financial statement information.

Recognition of Contributions

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

New Accounting Pronouncements

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14 (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("Update"). The Update reduces the number of net asset classes from three to two, those with donor restrictions and those without, requires all nonprofits to report expenses by nature and function and improves information presented in financial statements and notes that are useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018. Early application of the amendments in the Update is permitted. The Organization has not elected to early implement the amendments.

THE FIELD'S EDGE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

In 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard replaces the current revenue recognition requirements and most industry-specific guidance. When adopted, the amendments in this ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the provisions of ASU Topic 606.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as a contribution (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2019, for transactions in which the entity services as the resource provider. Early application of the amendments in this update is permitted. The Organization is currently evaluating the impact of the provision of ASU Topic 958.

In 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. ASU No. 2016-02 must be applied modified retrospectively. The Organization is currently evaluating the impact of the provisions of ASU Topic 842.

Organization grants are recognized as contributions under authoritative literature since they are not exchange transactions.

Subsequent Events

The Organization has evaluated events subsequent to the date of the statement of net assets (December 31, 2019) through June 16, 2020 the date these financial statements were suitable to be issued.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

THE FIELD'S EDGE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- **Net Assets Without Donor Restrictions**

Net Assets without donor restrictions are resources available to support operations. The only limits on the use of donor restrictions are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into on the course of its operations.

- **Net Assets With Donor Restrictions**

Net Assets with Donor Restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds.

When a donor's restrictions is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from the net assets with donor restrictions to net assets without restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as donor restricted until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

Some net assets with donor restrictions are resources whose use by the Organization is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time.

All revenue and net gains are reported as increase in Net Assets Without Donor Restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions.

Promise to Give

We record unconditional promises to give at net realizable value. Promises to give are written off when deemed uncollectible. At December 31, 2019, the allowance was \$2,068.

THE FIELD'S EDGE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; 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 goods are recorded at fair value at the date of donation.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

NOTE C – LIQUIDITY

In the event of financial distress in an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities.

The Organizations financial assets due within one year of the balance sheet date for general expenditures are as follows:

Cash	\$ 1,280,126
Accounts Receivable	33,763
Pledge Receivable	8,000
Prepaid Expense	<u>750</u>
 TOTAL	 <u>\$ 1,322,639</u>

THE FIELD'S EDGE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D – LEASES

The Field's Edge, Inc., entered into two lease agreements with First H & H Holdings, LLC on September 16, 2019 and November 1, 2019. The lease term is for one year, ending on September 30, 2020 and October 31, 2020, respectively, unless terminated sooner as provided in the lease agreement. The monthly rent is \$540 and \$750.

The monthly rental fee of \$540 is recorded as "Gifts In Kind", because First H & H Holdings, LLC is not requiring payment from The Fields Edge, Inc., for the first office.

NOTE E – CAPITAL CAMPAIGN

In 2019 The Field's Edge, Inc., began a Capital Campaign to cultivate 10 tiny homes, a hospitality building, a tiny chapel, a market, and a health center for the homeless, and empower a lifestyle of service for the Glory of Christ. The estimated cost of the Capital Campaign is approximately \$3.8 million. Construction is estimated to be completed in 2021.

NOTE F – PROPERTY TAXES

The Field's Edge, Inc.'s land market value is nearly \$1 million. Because the land is being removed as property with agriculture, The Field's Edge, Inc., is required to pay three years of rollback taxes. The Corporation is applying for a tax rollback exemption for all taxing entities. Only two of the twenty-six acres are being developed. The Corporation is working with Representative Tom Craddick's office, and the Board has approved to hire a lawyer to assist with the tax relief issue.

NOTE G – PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows at December 31, 2019:

	<u>2019</u>
Within One Year	\$ 8,700
In One to Five Years	<u>99,355</u>
	\$ 108,055
Less Allowance for Uncollectable Promises To Give	<u>(2,068)</u>
Promises To Give appear as follows in the Statements of financial position:	
Promises To Give, Net	<u>\$ 105,987</u>

THE FIELD'S EDGE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE G – PROMISES TO GIVE (Cont'd)

At December 31, 2019, two donors accounted for 78 percent of total promises to give. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. There are two such promises: The JE and LE Mabee Foundation, Inc. and the Scharbauer Foundation.

The JE and LE Mabee Foundation, Inc. issued a challenge grant in the amount of \$750,000 with the condition The Field's Edge raising the balance needed for the total project, \$3,050,000 from other contributors by October 8, 2020, further provided the exempt status with the IRS is still in full force and effect at the time any payment is made, and the commencement of construction, notification of project costs and assurance that such costs are within available resources.

The Scharbauer Foundation has approved a conditional grant of \$500,000. The conditional grant is contingent upon: 1) Scharbauer Foundation being notified in writing by The Field's Edge that water and sewer/septic services serving the project will be constructed as part of Phase I of the project as described in the Invited Application dated October 8, 2019, and 2) Scharbauer Foundation is notified in writing by The Field's Edge on or before October 1, 2021, that pledges, contributions, and/or additional funds have been received sufficient to underwrite the entire \$3,800,000 project as described in the Invited Applications. Such written notice shall include a list of all donors, amounts, payment schedules, and any conditions related to such funds. The \$500,000 grant was received by The Field's Edge in June 2020.