Angel Reach, Inc.
Audited Financial Statements

For the Year Ended
December 31, 2019

Angel Reach, Inc.

TABLE OF CONTENTS

December 31, 2019

FINANCIAL SECTION

BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Angel Reach, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Angel Reach, Inc., which comprise the statement of financial position, as of December 31, 2019, the related statement of activities, statement of 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 from 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.

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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 respective financial position Angel Reach, Inc. as of December 31, 2019 and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BrooksWatson & Co.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
July 6, 2020

FINANCIAL STATEMENTS

Angel Reach, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2019

Assets		
Current assets:		
Cash	$	26,616
Restricted cash		45,790
Prepaid expenses		28,651
Total Current Assets		101,057
Noncurrent assets:		
Investments		1,025,722
Notes receivable from clients, net		647
Other assets		8,620
Property and equipment, net		1,461,676
Total Noncurrent Assets		2,496,665
Total Assets	$	2,597,722
Liabilities		
Current liabilities:		
Payable to clients	$	4,689
Accrued expenses		62,536
Accrued interest		2,288
Credit card liabilities		12,101
Notes payable - current		18,232
Total Current Liabilities		99,846
Noncurrent liabilities:		
Notes payable - net of current portion		604,973
Total Noncurrent Liabilities		604,973
Total Liabilities	$	704,819
Net Assets		
With donor restrictions		345,588
Without donor restrictions		1,547,315
Total Net Assets		1,892,903
Total Liabilities and Net Assets	$	2,597,722

See Notes to Financial Statements.

Angel Reach, Inc.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support & Revenue			
Contributions:			
Cash	$ 406,506	$ 203,376	$ 609,882
Grant income	287,402	-	287,402
Special events income	853,348	-	853,348
Rental income	17,202	-	17,202
Other income	110,380	-	110,380
Net assets released from restrictions	232,034	(232,034)	-
Total Support & Revenue	1,906,872	(28,658)	1,878,214
Expenses			
Program services for activities:			
Personnel	834,542	-	834,542
Services	108,844	-	108,844
Administration	6,601	-	6,601
Insurance	70,417	-	70,417
Rent & utilities	175,335	-	175,335
Transportation & vehicles	14,621	-	14,621
Repairs & maintenance	37,647	-	37,647
Depreciation	54,825	-	54,825
Interest	29,828	-	29,828
Other	9,260	-	9,260
Total Program Expenses	1,341,920	-	1,341,920
Supporting expenses:			
Fundraising	202,571	-	202,571
Management and general	143,308	-	143,308
Total Expenses	1,687,799	-	1,687,799
Change in Net Assets	219,073	(28,658)	190,415
Net assets, beginning of year	1,328,242	374,246	1,702,488
Net Assets, End of Year	$ 1,547,315	$ 345,588	$ 1,892,903

See Notes to Financial Statements.

Angel Reach, Inc.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019

Cash Flows from Operating Activities		
Change in net assets	$	190,415
Adjustments to reconcile to change in net assets		
to net cash flows from operating activities:		
Depreciation		62,908
Bad debt (recovery)		(2,923)
(Gain) loss on disposition of capital assets		(9,792)
Net unrealized (gains) on investments		(7,545)
Changes in operating assets and liabilities:		
(Increase) decrease in restricted cash		6,842
(Increase) decrease in prepaid expenses		(14,472)
(Increase) decrease in other assets		53
Increase (decrease) accrued interest		2,288
Increase (decrease) in accounts payable and accrued liabilities		14,102
Net Cash Provided by Operating Activities		241,876
Cash Flows from Investing Activities		
Cash collected for notes receivable		3,567
Cash given as notes receivable		(1,147)
Cash paid for investments		(243,306)
Proceeds from sale of fixed assets		22,445
Purchase of fixed assets		(716,977)
Net Cash (Used by) Investing Activities		(935,418)
Cash Flows from (used by) Financing Activities		
Payments on note payable		(8,134)
Proceeds from issuance of long-term debt		528,000
Net Cash Provided (Used by) Financing Activities		519,866
Net Increase (Decrease) in Cash and Cash Equivalents		(173,676)
Beginning cash and cash equivalents		200,292
Ending Cash and Cash Equivalents	$	26,616
Supplemental Information:		
Interest Paid	$	30,375

See Notes to Financial Statements.

Angel Reach, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Program Services	Management & General	Fundraising	Total
Wages	$ 834,542	$ 108,000	$ 39,273	$ 981,815
Outside services	34,152	223	20,053	54,428
Events	1,156	150	139,694	141,000
Client services	74,692	-	-	74,692
Program administration	6,601	11,597	2,462	20,660
Accounting fees	-	9,363	-	9,363
Depreciation	54,825	8,083	-	62,908
Rent & utilities	175,335	-	-	175,335
Transporation & vehicles	14,621	-	-	14,621
Insurance	70,417	5,194	1,089	76,700
Repairs & maintenance	37,647	687	-	38,334
Interest	29,828	-	-	29,828
Training	7,894	-	-	7,894
Miscellaneous	210	11	-	221
Total Expenses	$ 1,341,920	$ 143,308	$ 202,571	$ 1,687,799

See Notes to Financial Statements.

Note 1 – Nature of Activity

Angel Reach, Inc. (the "Organization") is a 501(c)3 public charity non-profit corporation. The Organization was incorporated in May 2007 for the purpose of providing support services to foster children, their caregivers and to youth who have been emancipated from the state foster system. The Organization operates within Montgomery County, Texas.

The goal of Angel Reach is to help children and youth achieve their full potential in spite of the obstacles placed on them by broken families and a broken system. The Organization is governed by a Board of Directors and generates income and revenue through individual and corporate donations and grants.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Net Asset Classification

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

Net Assets Without Donor Restrictions – Include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization and/or the passage of time. 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

During the reporting period, of the Organization's *Net Assets with Donor Restrictions,* the donor-imposed restrictions were temporary in nature. No restrictions were considered perpetual.

Budgetary Control

The Organization has established its fiscal year as the twelve-month period beginning January 1. The Organization's Executive Director and Board of Directors estimate expenditures for the ensuing fiscal year after which the Board of Directors Treasurer submits a budget of estimated expenditures and revenues to the entire Board for review and discussion. The budget is then authorized by a motion and majority vote of the Board. The Board is authorized to transfer budgeted amounts between line items; however, any revisions that alter the total expenditures of the budget must be approved by the Board. Budgeted amounts are as originally adopted or as amended by the Board.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events that may affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates include the lives of fixed assets, fair values used to record in-kind contributions, the functional allocation of expenses, and contingencies. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Adjustments to such estimates and assumptions are made when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all cash on hand, demand bank deposits, and highly liquid investments available for current use with an initial maturity of three months or less to be defined as cash and cash equivalents.

Investments

The Organization has investments within a brokerage account which is primarily composed of mutual funds that are reported at fair value, which is defined as the price that would either be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Unrealized gains and losses, arising from increases or decreases in the current market values from the beginning of the year to the end of the year, are presented in the statement of activities, along with gains and losses realized on sales of investments. Purchases and sales of investments are recorded on the trade date. Interest income and income from other investments is recorded on the accrual basis. Total net unrealized gains arising from these investments totaled $7,545 for the year ended December 31, 2019.

Financial Instruments

The carrying values of the Organization's financial instruments approximate their fair values as of December 31, 2019.

Notes Receivable

The Organization assists their clients with vehicle purchasing by facilitating the transaction with the auto dealership. The Organization recognizes a receivable from each client for the amount paid to the dealership. The client repays the receivable in monthly installment payments, including principal and interest. The Organization provides an allowance for doubtful collections, which is based upon review of outstanding receivable and historical collection information.

Custodial Credit Risk

In the case of bank deposits, custodial credit risk is the risk that in the event of a bank failure, the Organization's bank deposits, whose balances exceed the insurance coverage guaranteed by the Federal Deposit Insurance Corporation (FDIC), which was $250,000 for 2019, may not be returned to it. As of December 31, 2019, the Organization's deposits did not exceed the insured amount.

Contributions

Contributions received are recorded as an increase to net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Unrestricted contributions, grants, and donor bequests and donor-restricted contributions, grants, and donor bequests to the Organization are recorded as revenue.

Nonreciprocal revenues or contributions are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions or conditions. Expiration of donor-imposed restrictions (i.e., the donor-stipulated purpose has been satisfied) is reported as satisfaction of program restrictions. The Organization reports donations as revenue without donor restrictions when the donor does not restrict its use as well as when the donor's restrictions are met in the same reporting period.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

When donor-restricted funds are expended, they are either capitalized or expensed, whichever is applicable. Estimates of completion are based on judgments by management and the donor. Those judgments are based on specific requirements of the donor agreements and the amount of work completed. Revenue which is earned but not billed is reported as accounts receivable on the statement of financial position. Advance payments from donors are classified as deferred revenue and recognized as revenue upon the expenditure of allowable costs or completion of the various stages of the studies.

Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated vales as of the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. The Organization recognizes donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation.

The value of other donated services is not reflected in the accompanying financial statements, as there is no objective basis available to measure the value of such services. However, a substantial number of volunteers, including the Board of Directors, have donated significant amounts of their time in the Organization's efforts.

Fixed Assets and Depreciation

All asset purchases are recorded at cost when purchased. Donated assets are recorded at fair market value on the date acquired. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset's life are not capitalized. Provisions for depreciation on all fixed assets are determined over the estimated useful lives of the respective assets on a straight-line basis. Assets with a useful life over one year and a cost over $1,000 are capitalized and depreciated.

Functional Expenses

As required by ASC 958, the Organization presents its expenses according to their functional and natural classifications on the statement of activities. Functional expenses presented include program services, which encompass expenses related to the fulfillment of the purpose, and mission for which the Organization exists, and supporting services and administration, which include all activities not considered program services.

General management activities are considered supporting services.

The statement of functional expenses, also required by ASC 958, presents the Organization's expenses in further detail, displaying expenses according to both functional classification and account.

Income Tax

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Organization is not required to pay income taxes.

Note 3 – Restricted Cash

For the year ended December 31, 2019, all of the Organization's deposits were cash held in bank demand deposit checking or savings accounts. The cash contributions that are donated to the Organization for a specific purpose are classified as restricted. As of December 31, 2019, the

Organization had a total of $45,790 in restricted cash. The balance of $41,774 relates to contributions as of December 31, 2019 which will be used in the subsequent fiscal year on other specific programs, as directed by the donors. The remaining $4,016 is held on behalf of clients as savings to be repaid upon request of the clients. This balance is offset with a payable to clients of $4,689 on the December 31, 2019 balance sheet.

Note 4 – Deposits & Investments

For the year ending December 31, 2019, all of the Organization's deposits were cash held in bank demand deposit checking or savings accounts, which are subject to custodial credit risk.

The Organization also holds investments in mutual funds. The prices of mutual fund securities held by the Organization may decline in response to certain events, including those directly involving the companies whose securities it owns. Those events may include, but are not necessarily limited to: conditions affecting the general economy; overall market changes; local, regional, or global political, social, or economic instability; and currency, interest rate, and commodity price fluctuations.

Note 5 – Fair Value Measurement

Fair value is defined 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* – Valuation is based upon unadjusted quoted market prices for identical assets or liabilities in active markets that the Organization has the ability to access.
>
> *Level 2* – Valuation is based upon quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable in the market.
>
> *Level 3* – Valuation is based on models where significant inputs are not observable. The unobservable inputs reflect the Organization's own assumptions about the inputs that market participants would use.

The Organization's financial instruments consist of cash, restricted cash, other receivable, investments, notes receivable from clients, payable to clients, accrued expenses, and credit card liabilities. The estimated fair value of cash, restricted cash, other receivable, notes receivable from clients, payable to clients, accrued expenses, and credit card liabilities approximates their carrying amounts due to the short-term nature of these instruments.

In addition, the Organization has investments in cash alternatives, mutual funds and common stock equities held within a brokerage account.

The following table sets forth by level, within the fair value hierarchy, the Organization's fair value measurements at December 31, 2019.

	Level 1	Level 2	Level 3	Total
Cash alternatives	$75,179	-	-	$75,149
Mutual fund investments	890,664	-	-	890,664
Common stock equities	59,879	-	-	59,879
Total	$1,025,722	-	-	$1,025,722

Total net unrealized gains arising from this investment totaled $7,545 for the year ended December 31, 2019.

Note 6 – Net Assets With Donor Restrictions

The balance of net assets with donor restrictions of $345,588 as of December 31, 2019 consisted of the following:

Program Description		**Balance 12/31/2019**
Junior League of The Woodlands	$	28,918
Ticket to Dream Foundation		44,000
Montgomery Co. Housing Corp.		180,000
Alija Bryant		9,500
Gregory & Hilda Back		2,937
Always Pursue		35,343
Celebrate Me		755
Efficient Wealth Management		964
Woodlands United Methodist Church		8,965
Balance Leadership Montgomery		1,506
Luis Benstimon		29,000
William & Ann Blount		500
Richard Dennis		2,500
Judy, Nancy, Mary, Wanda		600
Linda Notarainni		100
Total Net Assets With Donor Restrictions	$	345,588

There were $203,376 of contributions with donor restrictions made during the year. There was $232,034 of net assets released from donor restrictions during the year ended December 31, 2019, by incurring expenses to satisfy the purpose of the restriction, by the passage of time, or by the occurrence of other specific events.

Note 7 – Notes Receivable from Clients

The Organization assists their clients with vehicle purchasing by facilitating the transaction with the auto dealership. The Organization draws from its line of credit (see Note 9) to purchase each vehicle. The Organization recognizes a receivable from each client for the amount paid to the dealership. The client repays the receivable in monthly installment payments, including principal and interest. As of December 31, 2019, the gross amount due from clients as part of the Organization's vehicle purchasing program was $647. No allowance for uncollectible notes receivable was recorded as of yearend. All notes receivable with clients are under a two-year agreement with repayment ranging from January 2020 through December 2021.

Note 8 – Property and Equipment

Fixed assets and related accumulated depreciation expense as of December 31, 2019, are as follows:

Buildings	$ 1,245,185
Land (not depreciated)	302,982
Vehicles	78,760
Equipment	48,057
Total Fixed Assets	1,674,984
Less Accumulated Depreciation	(213,308)
Net Fixed Assets	$ 1,461,676

Depreciation expense for the year ended December 31, 2019 was $62,908.

Note 9 – Notes Payable

On January 25, 2019, the Organization borrowed $528,000 to acquire land and for construction of an office building ("900 W. Dallas mortgage"). The lender advanced $396,195 at closing and will reimburse the additional loan amount for construction costs based on progress of the construction. The mortgage bears interest at 6% annually. Repayments of interest only will be made monthly through February 2020. Beginning in March 2020, monthly payments of principal and interest will be made for $3,808. A final balloon payment including the remaining principal balance, will be owed on February 5, 2024 for $470,556. No principal payments were made during 2019. This note is collateralized by the property purchased with the debt proceeds.

During 2016, the Organization obtained a $120,000 mortgage to purchase property to be repaid in monthly installments ("Shady Oaks mortgage"). The term of the mortgage is 5 years with a balloon payment at maturity in 2021 for the remaining principal balance owed and an interest rate of 4.00%. Total principal payments of $6,438 were paid during 2019. This note is collateralized by the property purchased with the debt proceeds.

During 2015, the Organization entered into an installment sale agreement related to a fixed asset purchase ("Kubota note"). A total of $10,178 is to be repaid in equal monthly installments over four years. Total payments of $1,696 were paid during 2019. This note is collateralized by the equipment purchased with the debt proceeds. The note balance was paid in full as of December 31, 2019.

The following is a summary of changes in the Organization's total notes payable for the year ended.

	12/31/2018	Additions	Retired	12/31/2019	Due Within One Year
Notes Payable:					
Kubota note	$ 1,696	$ -	$ (1,696)	$ -	$ -
Shady Oaks mortgage	101,643	-	(6,438)	95,205	6,286
900 W. Dallas mortgage	-	528,000	-	528,000	11,946
Total Notes Payable	$ 103,339	$ 528,000	$ (8,134)	$ 623,205	$ 18,232
				Long-term liabilities due in more than one year	$ 604,973

Future payments for these notes payable are as follows:

Fiscal Year	Principal	Interest
2020	$ 18,232	$ 29,870
2021	104,878	30,856
2022	16,078	29,617
2023	15,687	28,625
2024	468,330	2,339
Total	**$** 623,205	**$** 121,307

Note 10 – Income Tax Status

The Organization applied for and received a tax determination letter from the Internal Revenue Service, which exempted the Organization from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization did not conduct unrelated business activities. The Organization is not required to pay income taxes and has made no provision for federal income taxes in the accompanying financial statements. The Organization's federal tax returns are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Support and donations received are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization not organized for profit but operated exclusively for the promotion of the social welfare of the individuals served and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes.

Note 11 – Risk Management

The Organization uses a number of approaches to decrease risks and protect against losses to the Organization, including internal practices, employee training, and a code of ethics, which all employees are required to acknowledge.

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; personal injury and death; and natural disasters for which the Organization purchases commercial insurance. The Organization has no additional risk or responsibility outside of the payment of insurance premiums. The Organization has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past several years.

Note 12 – Concentration Risk

During fiscal year ended December 31, 2019, approximately $277,402 or 15% of total support and revenue was received from one grantor.

Note 13 – Related Party Transactions

During 2019, the Organization received a $10,000 donation from Waste Connections, a company that employs a Board member of the Organization.

Note 14 – Liquidity and Availability of Financial Assets

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in mutual fund investments.

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside for ministry service programs that could be drawn upon if the Board of Directors approves that action.

	12/31/2019
Financial assets, at year-end:	
Cash	$ 26,616
Restricted cash	45,790
Investments	1,025,722
Less liabilities due within one year:	
Current liabilities	(99,846)
Less contractual or donor-imposed restrictions:	
Net assets with donor restrictions	(345,588)
Financial assets available to meet cash needs for general expendites within one year	$ 652,694

Note 15 – Subsequent Events

In April 2020, the Organization received a $185,100 loan through the Federal Government's Paycheck Protection Program as a result of the COVID-19 pandemic.

There were no other material subsequent events through July 6, 2020, the date the financial statements were available to be issued.