

**HILL COUNTRY DAILY  
BREAD MINISTRIES**

**FINANCIAL STATEMENTS**

**December 31, 2019 and 2018**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Hill Country Daily Bread Ministries  
Boerne, Texas

We have audited the accompanying financial statements of Hill Country Daily Bread Ministries (a non-profit corporation), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities (with comparative totals for 2018), functional expenses (with comparative totals for 2018), and cash flows for the years 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.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hill Country Daily Bread Ministries as of December 31, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Randy Walker & Co.*

San Antonio, Texas  
August 10, 2020

**HILL COUNTRY DAILY BREAD MINISTRIES**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,912,743	\$ 1,449,493
Investments	-	132
Accounts Receivable	225	-
Inventory	709,020	697,082
Prepaid Expenses	86,813	36,359
Total Current Assets	<u>2,708,801</u>	<u>2,183,066</u>
<b>LONG-TERM ASSETS</b>		
Other Assets	13,211	13,211
Property and Equipment, net	5,094,582	5,208,484
Total Long-Term Assets	<u>5,107,793</u>	<u>5,221,695</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>7,816,594</u></b>	<b>\$ <u>7,404,761</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 106,109	\$ 80,866
Deferred Revenue	114,775	84,235
Line of Credit	518,085	598,085
Total Current Liabilities	<u>738,969</u>	<u>763,186</u>
<b>TOTAL LIABILITIES</b>	<u>738,969</u>	<u>763,186</u>
<b>NET ASSETS</b>		
Without Donor Restrictions	5,917,682	5,705,134
With Donor Restrictions	1,159,943	936,441
<b>TOTAL NET ASSETS</b>	<u>7,077,625</u>	<u>6,641,575</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>7,816,594</u></b>	<b>\$ <u>7,404,761</u></b>

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

**HILL COUNTRY DAILY BREAD MINISTRIES**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2019**  
**(with comparative totals for 2018)**

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b><u>OPERATING REVENUE AND SUPPORT</u></b>				
Non-Cash Donations: Food, Clothing, Household	\$ 4,320,946	\$ -	\$ 4,320,946	\$ 3,624,692
General Contributions	1,056,756	44,446	1,101,202	855,839
Grants	355,899	135,167	491,066	509,046
Fundraising (net of direct expenses of \$99,251 and \$93,638, respectively)	331,702	-	331,702	248,053
Capital Campaign Contributions	-	313,100	313,100	1,076,600
Other Income	5,730	-	5,730	3,016
Net Assets Released from Restrictions	269,211	(269,211)	-	-
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<b>6,340,244</b>	<b>223,502</b>	<b>6,563,746</b>	<b>6,317,246</b>
<b><u>OPERATING EXPENSES</u></b>				
Program	5,580,148	-	5,580,148	4,917,935
General and Administrative	371,104	-	371,104	379,955
Fundraising	176,444	-	176,444	188,009
<b>TOTAL OPERATING EXPENSES</b>	<b>6,127,696</b>	<b>-</b>	<b>6,127,696</b>	<b>5,485,899</b>
<b>CHANGE IN NET ASSETS BEFORE NON- OPERATING ACTIVITY</b>	<b>212,548</b>	<b>223,502</b>	<b>436,050</b>	<b>831,347</b>
<b><u>NON-OPERATING ACTIVITY</u></b>				
Investment Income	-	-	-	47
<b>TOTAL NON-OPERATING ACTIVITY</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47</b>
<b>CHANGE IN NET ASSETS AFTER NON- OPERATING ACTIVITY</b>	<b>212,548</b>	<b>223,502</b>	<b>436,050</b>	<b>831,394</b>
<b>NET ASSETS, Beginning of Year</b>	<b>5,705,134</b>	<b>936,441</b>	<b>6,641,575</b>	<b>5,810,181</b>
<b>NET ASSETS, End of Year</b>	<b>\$ 5,917,682</b>	<b>\$ 1,159,943</b>	<b>\$ 7,077,625</b>	<b>\$ 6,641,575</b>

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

**HILL COUNTRY DAILY BREAD MINISTRIES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2019**  
**(with comparative totals for 2018)**

	2019				2018
	Program	General and Administrative	Fundraising	Total	Total
<b>OPERATING EXPENSES</b>					
Salaries and Wages	\$ 752,024	\$ 270,370	\$ 137,095	\$ 1,159,489	\$ 1,097,758
Payroll Taxes	68,591	1,901	10,483	80,975	73,389
Total Payroll Expenses	820,615	272,271	147,578	1,240,464	1,171,147
Non-Cash Disbursements	4,301,171	-	-	4,301,171	3,694,639
Depreciation	147,173	25,327	-	172,500	166,253
Food and Products	98,774	-	-	98,774	138,193
Utilities	36,888	4,906	2,779	44,573	36,939
Insurance	32,483	4,054	2,455	38,992	28,034
Interest	-	26,495	-	26,495	28,252
Camp	18,340	-	-	18,340	14,885
Computer Services	17,846	-	-	17,846	17,440
Vehicle Expenses	17,757	-	-	17,757	18,427
Academy	17,721	-	-	17,721	22,991
Contract Labor	-	-	16,355	16,355	27,868
Supplies	11,821	116	4,351	16,288	8,403
Maintenance and Repair	11,996	-	-	11,996	13,164
Training	1,787	10,106	-	11,893	20,031
Miscellaneous	9,667	1,242	278	11,187	7,051
Equipment	8,658	1,958	-	10,616	10,676
Printing and Reproduction	7,037	1,296	862	9,195	10,348
Telephone	6,412	1,629	1,087	9,128	10,027
Professional Services	-	9,056	-	9,056	16,150
Bank Charges	852	8,075	-	8,927	8,075
Kingdom Kids Club Bibles and Books	4,330	-	-	4,330	1,799
Postage	2,488	1,049	699	4,236	3,526
Public Relations	349	3,465	-	3,814	3,465
Dues and Subscriptions	3,017	59	-	3,076	3,299
Appreciation	2,907	-	-	2,907	4,668
Security	59	-	-	59	149
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 5,580,148</b>	<b>\$ 371,104</b>	<b>\$ 176,444</b>	<b>\$ 6,127,696</b>	<b>\$ 5,485,899</b>

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

**HILL COUNTRY DAILY BREAD MINISTRIES**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2019 and 2018

	2019	2018
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in Net Assets from Operations	\$ 436,050	\$ 831,394
Adjustments to Reconcile Net Change to Net Cash Provided by Operations:		
Depreciation	172,500	166,253
Donated Vehicle	(7,400)	-
Non-Cash Inventory Donations (Net of Non-Cash Inventory Disbursements)	(11,938)	97,011
Net Realized Gain on Investments	-	(47)
(Increase) in Assets:		
Accounts Receivable	(225)	-
Prepaid Expenses	(50,454)	(35,909)
Increase in Liabilities:		
Accounts Payable	25,243	41,456
Deferred Revenue	30,540	18,310
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>594,316</b>	<b>1,118,468</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceeds from Sale of Investments	132	42,319
Cash Purchases of Property and Equipment	(51,198)	(314,718)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(51,066)</b>	<b>(272,399)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Principal Payments on Line of Credit	(80,000)	(25,000)
<b>NET CASH (USED) BY FINANCING ACTIVITIES</b>	<b>(80,000)</b>	<b>(25,000)</b>
<b>NET INCREASE IN CASH FLOWS</b>	<b>463,250</b>	<b>821,069</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>1,449,493</b>	<b>628,424</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 1,912,743</b>	<b>\$ 1,449,493</b>
<b><u>SUPPLEMENTAL DISCLOSURES</u></b>		
Interest Paid	\$ 26,495	\$ 28,252

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

**HILL COUNTRY DAILY BREAD MINISTRIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

**NOTE 1 – SUMMARY OF ACCOUNTING POLICIES**

*Basis of Accounting*

The accompanying statements of Hill Country Daily Bread Ministries (the Organization) have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

*Nature of Activities*

Hill Country Daily Bread Ministries is organized as a 501(c)(3) non-profit corporation. Since October 2000, the Organization has served as a unique and effective ministry resource to the Hill Country Christian outreach programs. The mission of the Organization is to gather, store, and distribute food, clothing, furniture, diapers, school supplies and children's books free of charge to the needy through partner church programs. The Organization currently serves over 39 outreach programs, which are mainly associated with local churches.

*Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Basis of Presentation*

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* – Net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors are reported as net assets without donor restrictions, designated.
- *Net Assets With Donor Restrictions* – Net assets subject to donor restrictions that are more restrictive than the Organization's mission and purpose. 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purposes for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

*Cash and Cash Equivalents*

For purposes of the statements of cash flows, the Organization considers all highly liquid savings and securities with a maturity of three months or less to be cash equivalents.



**HILL COUNTRY DAILY BREAD MINISTRIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

**NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)**

*Income Taxes*

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and as such qualifies for the maximum charitable contributions deduction by donors. As of December 31, 2019, the tax years that remain subject to examination by taxing authorities begin with 2016.

*Contributions*

Contributions received are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is fulfilled), net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

*Inventory*

Inventory consists primarily of donated food, clothing, and household items. Therefore, these items are stated at fair value at date of donation. At December 31, 2019 and 2018, the value of inventory was \$709,020 and \$697,082, respectively.

*Property and Equipment*

Property and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The Organization capitalizes items with a cost of over \$2,000. Depreciation on the assets owned by the Organization is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building	40 years
Leasehold Improvements	15 years
Equipment	5-7 years
Vehicles	5 years

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions.

**HILL COUNTRY DAILY BREAD MINISTRIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

**NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)**

*New Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding revenue recognition, *Revenue from Contracts with Customers (ASC 606)*, effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the effect this new standard will have on its financial position, results of operations and related disclosures.

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. A lessee will be required to recognize on the statements of financial position the assets and liabilities for leases with lease terms of more than twelve months. Management is currently evaluating the effect this new standard will have on its financial position, results of operations and related disclosures.

*Recently Adopted Accounting Pronouncements*

In 2016, the FASB issued Accounting Standards Update (ASU) 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This update was followed up in 2018 by ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* and ASU 2018-09, *Codification Improvements*. These pronouncements provide guidance regarding the reporting and disclosure requirements of investments, effective for periods beginning after December 15, 2018. The Organization adopted these new pronouncements effective January 1, 2019. The change was applied retrospectively, but there is no cumulative effect on beginning net assets as of this date.

In 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*, effective for periods beginning after December 15, 2018. This pronouncement clarifies and improves the scope and the accounting guidance for contributions received and contributions made in order to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. The Organization adopted this new pronouncement effective January 1, 2019. The change was applied retrospectively, but there is no cumulative effect on beginning net assets as of this date.

**NOTE 2 – INVESTMENTS**

Investments consist of stocks and bonds donated to the Organization. These investments were valued at the estimated fair market value at the date of the gift. Investments at December 31, 2019 and 2018 were \$-0- and \$132, respectively. The Organization had investment income of \$-0- and \$47 for the years ended December 31, 2019 and 2018, respectively. There were no investment fees for the years ended December 31, 2019 and 2018.

**HILL COUNTRY DAILY BREAD MINISTRIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

**NOTE 3 – FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and general and administrative expenses have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll expenses which are allocated on the basis of estimates of time and effort, as well as utilities, depreciation, insurance, and various other expenses which are allocated on the basis of square footage or some other reasonable basis.

**NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were available for the following purposes at December 31:

	2019		2018
Capital Campaign	\$ 1,104,501	\$	936,441
Kingdom Kids	55,442		-
Total	\$ 1,159,943	\$	936,441

**NOTE 5 – LEASES**

The Organization has a lease agreement for office equipment that expired in December 2019. Rental charges under this lease were \$345 per month. Lease expense for the years ended December 31, 2019 and 2018 was \$4,182 and \$4,140, respectively.

**NOTE 6 – CONCENTRATION OF CREDIT RISK**

The Organization maintains all of its cash accounts at one financial institution. The Federal Deposit Insurance Corporation insures cash balances up to \$250,000 per bank. The Organization had uninsured cash balances of \$1,585,315 and \$1,116,412, not including reconciling items, at December 31, 2019 and 2018, respectively.

**NOTE 7 – DONATED MATERIALS AND SERVICES**

The Organization received \$4,320,946 and \$3,624,692 in food, clothing, and household items from various donors during the years ended December 31, 2019 and 2018, respectively. These donated items are included in non-cash donations in the statement of activities. The Organization disbursed \$4,301,171 and \$3,694,639 in donated food, clothing, and household items to various ministries during the years ended December 31, 2019 and 2018, respectively. These disbursements are included in non-cash disbursements in the statement of functional expenses. In addition, a number of volunteers donated approximately 36,935 and 39,500 hours to the Organization's program services during the years ended December 31, 2019 and 2018, respectively; however, these donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services according to generally accepted accounting principles.

**HILL COUNTRY DAILY BREAD MINISTRIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

**NOTE 8 – PROPERTY AND EQUIPMENT**

At December 31, the cost and accumulated depreciation of property and equipment were as follows:

	<b>2019</b>		<b>2018</b>
Land	\$ <b>614,906</b>	\$	614,906
Building	<b>4,492,946</b>		4,492,946
Equipment	<b>232,649</b>		227,696
Vehicles	<b>164,968</b>		134,518
Software	<b>3,250</b>		3,250
Construction In Progress	<b>302,703</b>		279,508
Less: Accumulated Depreciation	<b>(716,840)</b>		(544,340)
Total	<b>\$ 5,094,582</b>	\$	5,208,484

Depreciation expense was \$172,500 and \$166,253 for the years ended December 31, 2019 and 2018, respectively.

**NOTE 9 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Organization adopted the provisions of ASC 820, “*Fair Value Measurements and Disclosures*” (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect the Organization’s financial position or results of operations.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

The Organization’s current assets and liabilities as presented in the statements of financial position are Level 1. The Organization has no Level 2 or Level 3 assets or liabilities. The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

**HILL COUNTRY DAILY BREAD MINISTRIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

**NOTE 10 – LINE OF CREDIT**

On March 14, 2014, the Organization entered into a revolving line of credit agreement with a local institution for a maximum amount of \$4,400,000 for construction costs related to the new facility. The line of credit is collateralized by cash and future cash receipts, has a fixed rate of 5.5%, and matures on March 3, 2020. The outstanding balance for the line of credit as of December 31, 2019 and 2018 was \$518,085 and \$598,085, respectively.

**NOTE 11 – SUBSEQUENT EVENTS**

In March 2020, the City of San Antonio imposed “shelter-in-place” restrictions due to COVID-19. Although the Organization has been able to maintain their remaining operation during this pandemic, management continues to evaluate economic conditions as the long-term effects of the pandemic on future operations, including fund-raising events, are uncertain and cannot reasonably be estimated at this time.

Additionally, the Organization applied for and was granted a Paycheck Protection Program (PPP) loan in April 2020 to assist with payroll and utilities. Management intends to use the loan funds in accordance with the time and purpose restrictions defined by the PPP.

The Organization has evaluated subsequent events through August 10, 2020, which is the date the financial statements were available to be issued.

**NOTE 12 – LIQUIDITY AND AVAILABILTY OF FINANCIAL RESOURCES**

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 donor-stipulated restrictions.

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ <b>1,912,743</b>	\$ 1,449,493
Investments	-	132
Accounts Receivable	<u>225</u>	-
Total Financial Assets	<b>1,912,968</b>	1,449,625
Donor Restrictions	<u>(1,159,943)</u>	<u>(936,441)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ <b>753,025</b></u>	<u>\$ 513,184</u>

The Organization’s primary sources of cash flows during the year are contributions, grants and fundraising. These revenue sources provide a consistent inflow of cash throughout the year to meet normal operating expenses.