

**The Forge for Families, Inc.**  
Financial Statements  
For the Years Ended December 31, 2020 and 2019

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Forge for Families, Inc.  
Houston, Texas

We have audited the accompanying financial statements of The Forge For Families, Inc. (a Texas nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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.

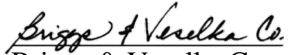
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

To the Board of Directors of  
The Forge for Families, Inc.  
Re: Independent Auditors' Report

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Forge for Families, Inc. as of December 31, 2020 and 2019, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

  
Briggs & Veselka Co.  
Houston, Texas

July 30, 2021

**THE FORGE FOR FAMILIES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,282,036	\$ 344,467
Pledges receivable, net	16,001	67,043
Prepaid expense	<u>4,527</u>	<u>-</u>
Total current assets	1,302,564	411,510
Property and equipment, net	<u>4,302,582</u>	<u>4,417,001</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,605,146</u></b>	<b><u>\$ 4,828,511</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 10,297	\$ 24,265
Credit cards payable	3,573	17,196
Accrued expenses	12,983	17,760
Other liabilities – pass-through funds	<u>-</u>	<u>27,652</u>
Total current liabilities	26,853	86,873
Net assets		
Without donor restrictions	5,473,228	4,609,383
With donor restrictions	<u>105,065</u>	<u>132,255</u>
Total net assets	<u>5,578,293</u>	<u>4,741,638</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,605,146</u></b>	<b><u>\$ 4,828,511</u></b>

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

**THE FORGE FOR FAMILIES, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues and other support</b>			
Contributions	\$ 1,021,497	\$ 274,360	\$ 1,295,857
PPP grant revenue	-	125,200	125,200
Luncheon/events (net of direct benefit to donors of \$2,060)	179,387	-	179,387
Golf tournament (net of direct benefit to donors of \$27,813)	152,709	-	152,709
Year-end letter	287,533	-	287,533
Rental	9,628	-	9,628
Summer program	28,373	-	28,373
After-school	41,692	-	41,692
Basketball	1,100	-	1,100
Adult program	90	-	90
Other	9,454	-	9,454
Net assets released from restrictions	<u>426,750</u>	<u>(426,750)</u>	<u>-</u>
Total revenues and other support	2,158,213	(27,190)	2,131,023
<b>Expenses</b>			
<b>Program services</b>			
After-school/educational	284,463	-	284,463
Summer leadership	202,151	-	202,151
Athletic discipleship	138,886	-	138,886
Facility services	19,010	-	19,010
Adult discipleship	87,802	-	87,802
Volunteer coordination/BridgeBuilder	55,685	-	55,685
Christmas store	24,154	-	24,154
Teen programs	162,907	-	162,907
<b>Supporting services</b>			
Management and general	224,804	-	224,804
Fundraising	<u>94,506</u>	<u>-</u>	<u>94,506</u>
Total expenses	<u>1,294,368</u>	<u>-</u>	<u>1,294,368</u>
Change in net assets	863,845	(27,190)	836,655
Net assets, beginning of year	<u>4,609,383</u>	<u>132,255</u>	<u>4,741,638</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 5,473,228</u>	<u>\$ 105,065</u>	<u>\$ 5,578,293</u>

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

**THE FORGE FOR FAMILIES, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Contributions	\$ 276,418	\$ 228,910	\$ 505,328
Luncheon/events (net of direct benefit to donors of \$13,275)	279,875	-	279,875
Golf tournament (net of direct benefit to donors of \$38,064)	215,162	-	215,162
Year-end letter	139,445	-	139,445
Rental	18,213	-	18,213
Summer program	85,057	-	85,057
After-school	66,243	-	66,243
Basketball	4,475	-	4,475
Adult program	1,755	-	1,755
Other	18,847	-	18,847
Net assets released from restrictions	<u>186,742</u>	<u>(186,742)</u>	<u>-</u>
Total revenues and other support	1,292,232	42,168	1,334,400
Expenses			
Program services			
After-school/educational	282,925	-	282,925
Summer leadership	206,810	-	206,810
Athletic discipleship	214,252	-	214,252
Camps and field trips	39,339	-	39,339
Facility services	44,303	-	44,303
Adult discipleship	62,834	-	62,834
Volunteer coordination/BridgeBuilder	78,673	-	78,673
Christmas store	32,580	-	32,580
Teen programs	112,692	-	112,692
Supporting services			
Management and general	259,387	-	259,387
Fundraising	<u>112,485</u>	<u>-</u>	<u>112,485</u>
Total expenses	<u>1,446,280</u>	<u>-</u>	<u>1,446,280</u>
Change in net assets	(154,048)	42,168	(111,880)
Net assets, beginning of year	<u>4,763,431</u>	<u>90,087</u>	<u>4,853,518</u>
NET ASSETS, END OF YEAR	<u>\$ 4,609,383</u>	<u>\$ 132,255</u>	<u>\$ 4,741,638</u>

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

**THE FORGE FOR FAMILIES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services								Supporting Services		Total Expenses	
	After-School/ Educational	Summer Leadership	Athletic Discipleship	Facility Services	Adult Discipleship	Volunteer Coordination/ BridgeBuilder	Christmas Store	Teen Programs	Total Program Expenses	Management and General		Fundraising
Payroll expenses	\$ 141,362	\$ 113,033	\$ 35,493	\$ 9,558	\$ 68,771	\$ 42,080	\$ 21,417	\$ 110,037	\$ 541,751	\$ 170,692	\$ 68,227	\$ 780,670
Awards and incentives	3,352	-	-	-	-	-	-	575	3,927	-	-	3,927
Bank fees	475	190	7	-	-	-	7	-	679	16,296	-	16,975
Community service	-	-	-	-	3,168	-	-	-	3,168	-	-	3,168
Contract labor	2,460	-	-	-	-	555	75	990	4,080	-	-	4,080
Depreciation	56,367	37,041	48,314	8,052	3,221	8,052	-	-	161,047	1,627	-	162,674
Education	2,725	-	-	-	-	-	-	-	2,725	-	-	2,725
Food	-	-	941	-	953	30	-	889	2,813	-	-	2,813
Fundraising	-	-	-	-	-	-	-	-	-	-	12,265	12,265
Insurance	17,273	17,964	13,819	345	1,382	690	345	17,274	69,092	1,410	-	70,502
Licensing and compliance	577	465	-	-	-	-	-	-	1,042	-	-	1,042
Network	3,234	849	1,698	-	57	113	57	57	6,065	999	-	7,064
Office supplies	4,643	2,229	929	-	279	186	-	1,022	9,288	489	-	9,777
Permits	1,249	1,249	1,249	-	-	-	-	1,249	4,996	-	-	4,996
Professional fees	-	-	-	-	-	-	-	-	-	31,930	-	31,930
Program supplies	7,801	6,540	2,251	-	6,455	146	2,253	8,909	34,355	-	14,014	48,369
Referees/coaches	-	-	1,512	-	-	-	-	-	1,512	-	-	1,512
Repairs and maintenance	16,777	9,225	11,829	273	1,364	2,805	-	14,577	56,850	-	-	56,850
Tournament fees	-	-	2,129	-	-	-	-	-	2,129	-	-	2,129
Training	550	327	142	-	22	164	-	147	1,352	857	-	2,209
Transportation and travel	1,247	111	1,017	-	-	175	-	-	2,550	337	-	2,887
Uniforms and equipment	-	-	4,275	-	-	-	-	-	4,275	-	-	4,275
Utilities	15,720	10,617	8,014	782	1,800	359	-	6,321	43,613	-	-	43,613
Vehicles	8,251	2,311	4,948	-	330	330	-	335	16,505	167	-	16,672
Other	400	-	319	-	-	-	-	525	1,244	-	-	1,244
<b>Totals</b>	<b>\$ 284,463</b>	<b>\$ 202,151</b>	<b>\$ 138,886</b>	<b>\$ 19,010</b>	<b>\$ 87,802</b>	<b>\$ 55,685</b>	<b>\$ 24,154</b>	<b>\$ 162,907</b>	<b>\$ 975,058</b>	<b>\$ 224,804</b>	<b>\$ 94,506</b>	<b>\$ 1,294,368</b>

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



**THE FORGE FOR FAMILIES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services									Supporting Services		Total Expenses	
	After-School/ Educational	Summer Leadership	Athletic Discipleship	Camps and Field Trips	Facility Services	Adult Discipleship	Volunteer Coordination/ BridgeBuilder	Christmas Store	Teen Programs	Total Program Expenses	Management and General		Fundraising
Payroll expenses	\$ 152,101	\$ 120,779	\$ 51,382	\$ 19,903	\$ 27,733	\$ 25,066	\$ 58,185	\$ 29,500	\$ 101,696	\$ 586,345	\$ 202,623	\$ 71,093	\$ 860,061
Awards and incentives	955	-	-	-	-	-	-	-	-	955	600	-	1,555
Bank fees	-	-	-	-	-	-	-	-	-	-	17,097	-	17,097
Community service	-	-	-	-	-	24,817	-	1,845	-	26,662	-	-	26,662
Contract labor	-	-	-	-	-	-	784	-	-	784	-	-	784
Depreciation	55,319	36,352	47,416	-	7,903	3,161	7,903	-	-	158,054	1,597	-	159,651
Education	1,820	532	1,505	-	-	-	-	-	57	3,914	-	-	3,914
Field trips	-	3,796	107	-	-	-	-	-	-	3,903	-	-	3,903
Food	-	372	6,591	-	-	2,349	2,000	-	1,207	12,519	-	-	12,519
Fundraising	-	-	-	-	-	-	-	-	-	-	-	20,545	20,545
Insurance	16,726	6,691	18,399	2,230	2,788	2,230	2,788	558	3,345	55,755	1,138	-	56,893
Licensing and compliance	2,734	60	-	-	-	-	-	-	99	2,893	-	-	2,893
Membership	-	-	427	15,499	-	-	-	-	-	15,926	-	-	15,926
Network	2,298	957	1,978	-	128	319	319	64	319	6,382	1,126	-	7,508
Office supplies	3,254	2,789	1,209	-	-	186	1,395	-	465	9,298	1,307	-	10,605
Permits	1,000	-	-	-	-	-	-	-	-	1,000	2,918	-	3,918
Professional fees	-	-	-	-	-	-	-	-	-	-	27,342	-	27,342
Program supplies	2,296	12,352	5,457	-	-	82	971	-	652	21,810	-	20,847	42,657
Referees/coaches	-	-	825	-	-	-	-	-	-	825	-	-	825
Repairs and maintenance	20,243	9,201	21,470	-	3,067	1,840	1,840	613	1,840	60,114	1,227	-	61,341
Tournament fees	-	-	18,377	-	-	-	-	-	-	18,377	-	-	18,377
Training	551	-	-	-	-	-	-	-	-	551	-	-	551
Transportation and travel	-	275	10,462	604	-	-	488	-	-	11,829	569	-	12,398
Uniforms and equipment	-	-	7,669	-	-	-	-	-	-	7,669	-	-	7,669
Utilities	14,802	8,971	13,456	-	2,243	897	897	-	2,243	43,509	1,346	-	44,855
Vehicles	8,826	3,310	6,620	1,103	441	-	1,103	-	662	22,065	167	-	22,232
Other	-	373	902	-	-	1,887	-	-	107	3,269	330	-	3,599
<b>Totals</b>	<b>\$ 282,925</b>	<b>\$ 206,810</b>	<b>\$ 214,252</b>	<b>\$ 39,339</b>	<b>\$ 44,303</b>	<b>\$ 62,834</b>	<b>\$ 78,673</b>	<b>\$ 32,580</b>	<b>\$ 112,692</b>	<b>\$ 1,074,408</b>	<b>\$ 259,387</b>	<b>\$ 112,485</b>	<b>\$ 1,446,280</b>

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

**THE FORGE FOR FAMILIES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 836,655	\$ (111,880)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	162,674	159,650
Changes in operating assets and liabilities:		
Pledges receivable	51,042	(66,043)
Prepaid expense	(4,527)	9,900
Accounts payable	(13,968)	12,723
Credit cards payable	(13,623)	17,196
Accrued expenses	(4,777)	(3,812)
Other liabilities – pass-through funds	<u>(27,652)</u>	<u>(13,173)</u>
Net cash from operating activities	985,824	4,561
Cash flows from investing activities		
Purchases of property and equipment	<u>(48,255)</u>	<u>(51,327)</u>
Net change in cash and cash equivalents	937,569	(46,766)
Cash and cash equivalents, beginning of year	<u>344,467</u>	<u>391,233</u>
Cash and cash equivalents, end of year	<u>\$ 1,282,036</u>	<u>\$ 344,467</u>

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

## **NOTE 1 – ORGANIZATION**

The Forge for Families, Inc. (the “Forge”) is a Texas nonprofit corporation formed through the merger of The Refuge Community Development Corporation and Inner City Youth on December 31, 2005.

The primary purpose of the Forge is to enrich the spiritual, vocational, and leadership development of inner-city families through Christ-centered mentoring, bringing transforming growth to Houston’s Third Ward.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** – The financial statements have been prepared in accordance with not-for-profit (NFP) organizations accounting guidance and using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, these financial statements are prepared on the accrual basis of accounting and present the financial position, results of activities and cash flows for the Forge.

**Financial Statement Presentation** – The Forge presents the financial statements under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. In accordance with ASU 2016-14, the Forge is required to report information regarding its financial position and activities according to the following net asset classifications.

- **Net Assets Without Donor Restrictions** – Net assets are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Forge. These net assets may be used at the discretion of the Forge’s management and oversight committees.
- **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those 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.

**Cash and Cash Equivalents** – The Forge considers all unrestricted cash on hand, cash in banks and certificates of deposit with an initial maturity of three months or less to be cash and cash equivalents.

**Concentration of Credit Risk** – Financial instruments that potentially subject the Forge to a significant concentration of credit risk consists primarily of cash and cash equivalents. The Forge maintains its cash in financial institutions, which at times exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). Management periodically assesses the financial condition of the financial institutions and believes that any possible credit risk is minimal.

From time-to-time, the Forge receives large pledges and contributions from a small number of donors who may represent a significant portion of recorded pledges and contributions. During 2020, one donor accounted for 19% of total contributions. There were no donor concentrations during 2019.

**Pledges Receivable** – Pledges receivable consist of unconditional promises to give that are expected to be collected in future years. Such receivables are recorded at the present value of their estimated future cash flows. The Forge provides an allowance for uncollectible amounts based on a review of specific account balances and considering historical experience, and accounts receivable are written off when they become uncollectible.

**THE FORGE FOR FAMILIES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

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**Property and Equipment** – All vehicles, buildings, building improvements, equipment, and furnishings are presented at cost, if purchased, or fair market value at the date of donation, if donated, less accumulated depreciation. The building and improvements are being depreciated on the straight-line basis over five to forty years. Depreciation of furniture and equipment is computed on the straight-line basis over the estimated useful lives of the assets, generally three to seven years.

Expenditures for improvements greater than \$1,000 are capitalized, and repairs and maintenance are charged to expense as incurred.

**Impairment of Long-Lived Assets** – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying amount of the asset exceeds its estimated undiscounted net cash flow, excluding interest, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds its fair value. The Forge incurred no impairment losses for 2020 and 2019.

**Contributions and Revenue Recognition** – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are 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 contributions are reported as net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

All contributions are recognized as revenue when received or unconditionally promised to the Forge. Conditional promises to give are not recognized as revenue until the conditions are substantially met. There were no conditional promises at December 31, 2020 and 2019. Additionally, the Forge may receive donated professional services and donated time to help with the clerical and office work which do not meet the criteria for recognition in the Forge's financial statements. Accordingly, the values of these contributions have not been recorded in the accompanying financial statements.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Forge recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Forge recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

Program revenue includes, but is not limited to, revenue from after-school and summer programs. For these programs, tuition is paid monthly at which time the revenue is recognized.

**Functional Expense Allocation** – The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include program fees, general and administrative expenses, and facility fees. Program fees are allocated directly to the program they apply to. General and administrative expenses and facility fees are allocated based on salaries, time and effort, and occupied building space.

**THE FORGE FOR FAMILIES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

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**Use of Estimates** – The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those assumptions. Significant estimates include, but are not limited to, collectability of pledges receivable and the useful lives of property and equipment.

**Risks and Uncertainties** – During 2020, many countries around the world, including the United States of America, were impacted by the coronavirus (the “virus” or COVID-19) outbreak. While the virus is continuing to evolve, its implications could involve unavailability of personnel, disruptions of supply chains, and reductions in program service fees and contributions, affecting results of operations and cash flows. At this time, management is not aware of any material risk to the Forge’s financial statements and cannot quantify the full extent the virus will have on the Forge’s financial information.

**Income Taxes** – The Forge is recognized by the Internal Revenue Service (IRS) to be tax-exempt under IRS Code Section 501(c)(3) and similar state provisions. Therefore, no provision has been made for federal and state income taxes in these financial statements.

Uncertain tax positions are recognized in the financial statements only if the position is more-likely-than-not of being sustained upon examination by taxing authorities, based on the technical merits of the position. The Forge did not recognize any interest and penalties related to uncertain tax positions in 2020 and 2019.

**Recently Adopted Accounting Pronouncements** – In May 2014, the FASB issued ASU No. 2014-09, *Revenue From Contracts With Customers (Topic 606)*, establishing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This update provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration an organization expects to receive in exchange for those goods or services and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. This guidance was effective for annual reporting periods beginning after December 15, 2019 for nonpublic entities and as such, the Forge adopted the new standards effective January 1, 2020 using the modified retrospective transition method.

Analysis of various provisions of this standard resulted in no significant changes in the way the Forge recognizes revenue and, therefore, no changes to the previously issued audited financial statements were required. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

**Recently Issued Accounting Pronouncements** – In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU will require most leases to be recognized on the statements of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. In June 2020, the FASB issued ASU No. 2020-05, *Revenue From Contracts With Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, to defer these standards. Under the deferral for leases rules, private companies and private not-for-profit organizations can apply the standard to fiscal years beginning after December 15, 2021.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. It also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statements of activities disaggregated by category that depicts the type of contributed nonfinancial assets and includes additional disclosure requirements for each category of contributed nonfinancial assets recognized. The ASU is effective for a not-for-profit entity for annual periods beginning after June 15, 2021. Early adoption is permitted.

**THE FORGE FOR FAMILIES, INC.**  
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The Forge is currently evaluating the impact these pronouncements will have on its financial statements and related disclosures.

**NOTE 3 – AVAILABILITY AND LIQUIDITY**

The Forge regularly monitors liquidity required to meet its operating needs. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Forge considers all expenditures related to its ongoing activities, including youth and adult programs, as well as services undertaken to support those activities, to be general expenditures.

The Forge receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs that are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. The Forge manages its liquidity and reserves following two guiding principles: operating within a balanced budget with a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs.

The Forge's goal is generally to maintain financial assets to cover a minimum of 30 days of general expenditures. The Forge has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet a minimum of 15 to 30 days of expected expenditures. To achieve these targets, the Forge forecasts its future cash flows and audits its liquidity every other month, and monitors its reserves annually. During 2020 and 2019, the level of liquidity and reserves were managed within the policy requirements.

The following table shows the total financial assets held by the Forge at December 31, 2020 and 2019, and the amounts of those financial assets that could readily be made available within one year of the statement of financial position dates to meet general expenditures:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,282,036	\$ 344,467
Pledges receivable, net	16,001	67,043
Less: net assets with donor restrictions to be met in less than one year	(105,065)	(132,255)
Less: cash reserved for pass-through funds	<u>-</u>	<u>(27,652)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,192,972</u>	<u>\$ 251,603</u>

**NOTE 4 – PLEDGES RECEIVABLE**

The Forge has obtained pledges to be used for general operations. Pledges receivable amounted to \$16,001 and \$67,043 as of December 31, 2020 and 2019, respectively, and are expected to be collected within one year. At December 31, 2020 and 2019, there were no allowance for doubtful pledges and no bad debt expenses.

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**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Community center	\$ 5,385,463	\$ 5,385,463
Building improvements	48,255	-
Vehicles	103,444	103,444
Machinery and equipment	6,495	6,495
Office equipment	<u>4,995</u>	<u>4,995</u>
	5,548,652	5,500,397
Less: accumulated depreciation	<u>(1,455,281)</u>	<u>(1,292,607)</u>
	4,093,371	4,207,790
Land	<u>209,211</u>	<u>209,211</u>
	\$ 4,302,582	\$ 4,417,001
	<u>\$ 4,302,582</u>	<u>\$ 4,417,001</u>

Depreciation expense was \$162,674 and \$159,650 in 2020 and 2019, respectively.

**NOTE 6 – PASS-THROUGH FUNDS**

In December 2017, the Forge was awarded a \$100,000 grant, of which \$90,000 was to provide used vehicles and/or roof repair or replacement to Hurricane Harvey victims and \$10,000 was for grant administration. During 2020 and 2019, \$50 and \$13,173, respectively, were spent towards community restoration as a result of damage caused by Hurricane Harvey. In January 2020, the remaining \$27,602 was remitted to another 501(c)(3) organization per agreement with the original donor. At December 31, 2020 and 2019, \$- and \$27,652, respectively, are included in other liabilities – pass-through funds on the statements of financial position.

**NOTE 7 – PAYCHECK PROTECTION PROGRAM (PPP) GRANT**

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, was signed into law. One component of the CARES Act was the Paycheck Protection Program (PPP), which provides qualified small businesses and certain tax-exempt organizations with the resources needed to help provide economic relief due to the adverse impact of COVID-19. The PPP is implemented by the U.S. Small Business Administration (SBA) with support from the U.S. Department of the Treasury. On April 17, 2020 the Forge received a PPP loan in the amount of \$125,200. The PPP loan had an interest rate of 1% and matures in April 2022.

Under the requirements of the CARES Act, as amended by the PPP Flexibility Act and Consolidated Appropriations Act, 2021, proceeds may only be used for the Forge’s eligible payroll costs, or certain other qualified expenses, paid during the covered period following disbursement. Loan payments are deferred beginning on the date of the note and ending 10 months after the last day of the covered period.

The Forge has accounted for the PPP loan in accordance with FASB Accounting Standards Codification 958-605 as a conditional contribution. The Forge initially recorded the amount received as a refundable advance followed by a reduction in the advance and recognition of revenue as the aforementioned conditions are substantially met.

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During 2020, the Forge used the entire proceeds for purposes consistent with the PPP, resulting in recognition of the entire loan amount as PPP grant revenue in the accompanying financial statements. In November 2020, the Forge received notice from their lender that the PPP loan had been forgiven and paid in full by the SBA.

**NOTE 8 – NET ASSETS**

Net assets are as follows at December 31:

	<u>2020</u>	<u>2019</u>
Net assets with donor restrictions		
After-school/educational	\$ -	\$ 61,852
Athletic discipleship	9,025	39,798
Capital projects	96,040	30,030
Volunteer coordination/BridgeBuilder	-	575
Total net assets with donor restrictions	<u>105,065</u>	132,255
Net assets without donor restrictions	<u>5,473,228</u>	<u>4,609,383</u>
 Total net assets	 <u>\$ 5,578,293</u>	 <u>\$ 4,741,638</u>

Net assets released from donor restrictions are as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
Staff support	\$ -	\$ 19,945
After-school/educational	96,200	30,492
Athletic discipleship	46,473	-
Capital projects	84,650	64,970
Camps and field trips	-	9,570
Summer leadership	37,500	37,500
Volunteer coordination/BridgeBuilder	575	24,265
Teen Programs	36,152	-
PPP grant ( <i>Note 7</i> )	<u>125,200</u>	-
 Total net assets released from donor restrictions	 <u>\$ 426,750</u>	 <u>\$ 186,742</u>

**NOTE 9 – DEFINED CONTRIBUTION PLAN**

The Forge has a defined contribution plan (the “401(k) Plan”) available to all employees with at least three months of service who meet the age requirement of 18 years. The 401(k) Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974. Under this plan, up to 3% of an employee’s contribution each year is matched by the Forge. The Forge’s contributions to the 401(k) Plan totaled \$15,930 and \$15,230 in 2020 and 2019, respectively.



**NOTE 10 – RELATED PARTY TRANSACTIONS**

During 2020 and 2019, the Forge received cash donations from members of the Board of Directors amounting to \$201,033 and \$76,166, respectively.

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 30, 2021, the date which the financial statements were available to be issued.