

THE FORGE FOR FAMILIES, INC.

Financial Statements

For the Years Ended
December 31, 2021 and 2020

THE FORGE FOR FAMILIES, INC.
Financial Statements
For the Years Ended December 31, 2021 and 2020

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Forge for Families, Inc. (a Texas nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Forge for Families, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Forge for Families, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Forge for Families, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report



McConnell Jones

that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Forge for Families, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Forge for Families, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter

The financial statements of The Forge for Families for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on July 30, 2021.

Houston, Texas
June 6, 2022

THE FORGE FOR FAMILIES, INC.

Statements of Financial Position December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	2,108,122	1,282,036
Pledges receivable	-	16,001
Prepaid expenses	6,817	4,527
Total current assets	<u>2,114,939</u>	<u>1,302,564</u>
NONCURRENT ASSETS		
Property and equipment, net	4,206,830	4,302,582
Total noncurrent assets	<u>4,206,830</u>	<u>4,302,582</u>
TOTAL ASSETS	<u>\$ 6,321,769</u>	<u>\$ 5,605,146</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 357	\$ 10,297
Credit cards payable	8,028	3,573
Accrued expenses	15,137	12,983
Total current liabilities	<u>23,522</u>	<u>26,853</u>
NET ASSETS		
Without donor restrictions	6,194,831	5,473,228
With donor restrictions	103,416	105,065
Total net assets	<u>6,298,247</u>	<u>5,578,293</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,321,769</u>	<u>\$ 5,605,146</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, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES AND OTHER SUPPORT			
Contributions	\$ 692,041	\$ 317,946	\$ 1,009,987
Luncheon/events (net of direct benefit to donors of \$34,661)	356,454	-	356,454
Golf tournament (net of direct benefit to donors of \$32,604)	178,472	-	178,472
Year-end letter	364,945	-	364,945
Rental	9,518	-	9,518
Summer program	48,992	-	48,992
After-school	40,497	-	40,497
Basketball	8,710	-	8,710
Other	12,466	-	12,466
Net assets released from restrictions	319,595	(319,595)	-
TOTAL REVENUES AND OTHER SUPPORT	<u>2,031,690</u>	<u>(1,649)</u>	<u>2,030,041</u>
EXPENSES			
Program services:			
After-school/educational	276,340	-	276,340
Summer leadership	186,598	-	186,598
Athletic discipleship	168,393	-	168,393
Mountain top	18,511	-	18,511
Adult discipleship	81,397	-	81,397
Christmas store	35,428	-	35,428
Teen programs	168,403	-	168,403
Total program services	<u>935,070</u>	<u>-</u>	<u>935,070</u>
Supporting services:			
Management and general	242,703	-	242,703
Fundraising activities	132,314	-	132,314
Total support services	<u>375,017</u>	<u>-</u>	<u>375,017</u>
TOTAL EXPENDITURES	<u>1,310,087</u>	<u>-</u>	<u>1,310,087</u>
CHANGE IN NET ASSETS	721,603	(1,649)	719,954
NET ASSETS, BEGINNING OF YEAR	<u>5,473,228</u>	<u>105,065</u>	<u>5,578,293</u>
NET ASSETS, END OF YEAR	<u>\$ 6,194,831</u>	<u>\$ 103,416</u>	<u>\$ 6,298,247</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, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES AND OTHER SUPPORT			
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	426,750	(426,750)	-
TOTAL REVENUES AND OTHER SUPPORT	2,158,213	(27,190)	2,131,023
EXPENSES			
Program services:			
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
Total program services	975,058	-	975,058
Supporting services:			
Management and general	224,804	-	224,804
Fundraising activities	94,506	-	94,506
Total support services	319,310	-	319,310
TOTAL EXPENDITURES	1,294,368	-	1,294,368
CHANGE IN NET ASSETS	863,845	(27,190)	836,655
NET ASSETS, BEGINNING OF YEAR	4,609,383	132,255	4,741,638
NET ASSETS, END OF YEAR	\$ 5,473,228	\$ 105,065	\$ 5,578,293

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, 2021

	Program Services									Support Services				
	After-School/Educational	Summer Leashership	Athletic Discipleship	Mountain Top	Adult Discipleship	Volunteer Coordination/BridgeBuilder	Facility Services	Christmas Store	Teen Programs	Total Program Expenses	Management and General	Fundraising	Total Support Services	Total Expenditures
Payroll expenses	\$ 130,402	\$ 97,084	\$ 48,091	\$ 18,110	\$ 60,574	\$ -	\$ -	\$ 30,638	\$ 104,000	\$ 488,899	\$ 201,699	\$ 73,146	\$ 274,845	\$ 763,744
Awards and incentives	506	-	-	-	-	-	-	-	-	506	-	-	-	506
Bank fees	3,278	1,311	47	-	-	-	-	47	-	4,683	7,024	-	7,024	11,707
Depreciation	58,970	38,752	50,546	-	3,370	-	-	-	16,849	168,487	-	-	-	168,487
Direct intervention	-	-	-	-	8,184	-	-	-	-	8,184	-	-	-	8,184
Education	4,524	-	-	-	-	-	-	-	1,350	5,874	-	-	-	5,874
Food	-	-	3,715	140	3,326	-	-	-	2,500	9,681	-	-	-	9,681
Fundraising	-	-	-	-	-	-	-	-	-	-	-	59,168	59,168	59,168
Insurance	18,657	15,325	13,326	-	1,999	-	-	665	16,658	66,630	1,360	-	1,360	67,990
Licensing and compliance	336	362	10	-	-	-	-	-	-	708	-	-	-	708
Network	2,042	766	1,276	-	51	-	-	-	970	5,105	901	-	901	6,006
Office supplies	3,461	1,661	831	-	208	-	-	-	761	6,922	364	-	364	7,286
Permits	1,479	845	-	-	85	-	-	-	105	2,514	-	-	-	2,514
Professional fees	-	-	-	-	-	-	-	-	-	-	29,935	-	29,935	29,935
Program supplies	9,509	8,569	2,817	-	-	-	-	2,873	1,151	24,919	-	-	-	24,919
Referees/coaches	-	-	2,000	-	-	-	-	-	-	2,000	-	-	-	2,000
Repairs and maintenance	17,680	9,583	9,584	-	1,575	-	-	512	10,794	49,728	-	-	-	49,728
Tournament fees	-	-	10,576	-	-	-	-	-	-	10,576	-	-	-	10,576
Training	196	108	47	-	-	-	-	-	-	351	-	-	-	351
Transportation and travel	1,072	17	4,245	-	33	-	-	-	-	5,367	83	-	83	5,450
Uniforms and equipment	-	-	6,209	-	-	-	-	-	-	6,209	-	-	-	6,209
Utilities	20,925	12,006	12,006	-	1,828	-	-	622	13,030	60,417	-	-	-	60,417
Vehicles	2,771	53	2,132	-	107	-	-	53	213	5,329	54	-	54	5,383
Other expenses	532	156	935	261	57	-	-	18	22	1,981	1,283	-	1,283	3,264
Total Expenses	\$ 276,340	\$ 186,598	\$ 168,393	\$ 18,511	\$ 81,397	\$ -	\$ -	\$ 35,428	\$ 168,403	\$ 935,070	\$ 242,703	\$ 132,314	\$ 375,017	\$ 1,310,087

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								Support Services				
	After-School/Educational	Summer Leasership	Athletic Discipleship	Facility Services	Adult Discipleship	Volunteer Coordination/BridgeBuilder	Christmas Store	Teen Programs	Total Program Expenses	Management and General	Fundraising	Total Support Services	Total Expenditures
Payroll expenses	\$ 141,362	\$ 113,033	\$ 35,493	\$ 9,558	\$ 68,771	\$ 42,080	\$ 21,417	\$ 110,037	\$ 541,751	\$ 170,692	\$ 68,227	\$ 238,919	\$ 780,670
Awards and incentives	3,352	-	-	-	-	-	-	575	3,927	-	-	-	3,927
Bank fees	475	190	7	-	-	-	7	-	679	16,296	-	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	-	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	12,265
Insurance	17,273	17,964	13,819	345	1,382	690	345	17,274	69,092	1,410	-	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	-	999	7,064
Office supplies	4,643	2,229	929	-	279	186	-	1,022	9,288	489	-	489	9,777
Permits	1,249	1,249	1,249	-	-	-	-	1,249	4,996	-	-	-	4,996
Professional fees	-	-	-	-	-	-	-	-	-	31,930	-	31,930	31,930
Program supplies	7,801	6,540	2,251	-	6,455	146	2,253	8,909	34,355	-	14,014	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	-	857	2,209
Transportation and travel	1,247	111	1,017	-	-	175	-	-	2,550	337	-	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	-	167	16,672
Other expenses	400	-	319	-	-	-	-	525	1,244	-	-	-	1,244
Total Expenses	\$ 284,463	\$ 202,151	\$ 138,886	\$ 19,010	\$ 87,802	\$ 55,685	\$ 24,154	\$ 162,907	\$ 975,058	\$ 224,804	\$ 94,506	\$ 319,310	\$ 1,294,368

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, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 719,954	\$ 836,655
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:		
Depreciation	166,686	162,674
Decrease in pledges receivable	16,001	51,042
Increase in prepaid expenses	(2,290)	(4,527)
Decrease in accounts payable	(9,940)	(13,968)
Increase (decrease) in credit cards payable	4,455	(13,623)
Increase (decrease) in accrued expenses	2,154	(4,777)
Decrease in other liabilities-pass through funds	-	(27,652)
Total adjustments	177,066	149,169
Net cash provided by operating activities	897,020	985,824
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(70,934)	(48,255)
Net cash used in investing activities	(70,934)	(48,255)
NET INCREASE IN CASH AND CASH EQUIVALENTS	826,086	937,569
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,282,036	344,467
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,108,122	\$ 1,282,036

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

THE FORGE FOR FAMILIES, INC.

Notes to the Financial Statements
December 31, 2021 and 2020

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 cash on hand, cash in banks and money market accounts 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). Bank balances are insured by the FDIC up to \$250,000. The amount exceeding the FDIC insured limit as of December 31, 2021 and December 31, 2020 was \$1,561,174 and \$754,110, respectively. 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 2021 and 2020, one donor accounted for 13% and 19%, respectively, of total contributions.

THE FORGE FOR FAMILIES, INC.

Notes to the Financial Statements
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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.

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 2021 and 2020.

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 recognize. 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, 2021 and 2020. 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.

THE FORGE FOR FAMILIES, INC.

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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.

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 2021 and 2020.

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.

THE FORGE FOR FAMILIES, INC.

Notes to the Financial Statements
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In June 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 require all entities, both donors and recipients, to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction and whether contributions are conditional or unconditional. This update will be effective for the Forge's 2021 annual financial statements. No additional disclosures will be required under this standard. The Forge adopted ASU 2018-08 in 2021. The adoption resulted in no impact to the financial statements.

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 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 considers contributions and promises to give that are restricted by donors to certain programs or specific needs, available only to fund those needs, as restricted. Unrestricted donations are considered available to meet cash needs for general expenditures or the ongoing and major programs that are central to its annual operations. 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 2021 and 2020, the level of liquidity and reserves were managed within the policy requirements.

THE FORGE FOR FAMILIES, INC.

Notes to the Financial Statements
December 31, 2021 and 2020

The following table shows the total financial assets held by the Forge at December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,108,122	\$ 1,282,036
Pledge receivable, net	-	16,001
Less: Net assets with donor restrictions to be met in less than one year	<u>(103,416)</u>	<u>(105,065)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 2,004,706</u>	<u>\$ 1,192,972</u>

NOTE 4 - PLEDGES RECEIVABLE

The Forge has obtained pledges to be used for general operations. Pledges receivable amounted to \$0 and \$16,001 as of December 31, 2021 and 2020, respectively, and are expected to be collected within one year. At December 31, 2021 and 2020, there were no allowance for doubtful pledges and no bad debt expenses.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Community Center	\$ 5,385,463	\$ 5,385,463
Building improvements	59,029	48,255
Vehicle	103,444	103,444
Machinery and equipment	45,055	6,495
Software	23,400	-
Office equipment	<u>3,195</u>	<u>4,995</u>
	5,619,586	5,548,652
Less: Accumulated depreciation	<u>(1,621,967)</u>	<u>(1,455,281)</u>
	3,997,619	4,093,371
Land	<u>209,211</u>	<u>209,211</u>
Property and equipment, net	<u>\$ 4,206,830</u>	<u>\$ 4,302,582</u>

Depreciation expense was \$168,486 and \$162,674 in 2021 and 2020, respectively.

THE FORGE FOR FAMILIES, INC.

Notes to the Financial Statements
December 31, 2021 and 2020

NOTE 6 - PASS-THROUGH FUNDS

During prior years, the Forge was awarded a \$100,000 grant for Hurricane Harvey victims, of which 10% was to be used for administration expenses. Of the remaining amount of \$90,000, the Forge spent \$62,398 on allowed expenditures and, during 2020, \$27,602 were remitted to another 501(c)(3) organization, per agreement with the original donor. The Forge did not have pass-through funds during fiscal year 2021.

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%.

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.

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 with donor restrictions as of December 31, 2021 and December 31, 2020 were \$103,416 and \$105,065, respectively as show below:

	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions		
Athletic discipleship	\$ 9,025	\$ 9,025
Capital repairs and purchases	94,391	96,040
Total net assets with donor restrictions	<u>103,416</u>	<u>105,065</u>
Net Assets without donor restrictions	6,194,831	5,473,228
Total net assets	<u>\$ 6,298,247</u>	<u>\$ 5,578,293</u>

THE FORGE FOR FAMILIES, INC.

Notes to the Financial Statements
December 31, 2021 and 2020

<u>Net Assets Released from Restrictions</u>	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions		
Support Staff		
After School/educational	\$ 121,226	\$ 96,200
Athletic discipleship	18,128	46,473
Captial Campaign	71,648	84,650
Summer Leadership	78,697	37,500
Volunteer coordination/BridgeBuilder	3,456	575
Teen Programs	26,440	36,152
PPP grant	-	125,200
Total	<u>\$ 319,595</u>	<u>\$ 426,750</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 \$14,072 and \$15,930 in 2021 and 2020, respectively.

NOTE 10 - RELATED PARTY TRANSACTIONS

During 2021 and 2020, the Forge received cash donations from members of the Board of Directors amounting to \$305,688 and \$201,033, respectively.

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 6, 2022 (the date which the financial statements were available to be issued) and no events have occurred from the statement of financial position date through that date, that would impact the financial statements.