

Forerunner Fund
Financial Statements
and
Independent Auditors' Report
For the Year Ended May 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Forerunner Fund

We have audited the accompanying financial statements of Forerunner Fund (a Texas nonprofit organization), which comprise the statement of financial position as of May 31, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 Forerunner Fund as of May 31, 2020, 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.

J. Alexander CPA, LLC

September 29, 2020

J. Alexander CPA, LLC
5050 Quorum Drive, Suite 700
Dallas, Texas 75254

FORERUNNER FUND
STATEMENT OF FINANCIAL POSITION
MAY 31, 2020

ASSETS

Current assets:	
Cash and cash equivalents	\$ 502,862
Unconditional promise to give, with donor restrictions (Note 5)	25,000
Total current assets	<u>527,862</u>
Property and equipment:	
Furniture and equipment	22,421
Computer equipment	3,859
Vehicles	87,848
Leasehold improvements	63,500
	<u>177,628</u>
Accumulated depreciation	(21,818)
Total property and equipment	<u>155,810</u>
Security deposits	<u>1,016</u>
Total assets	<u>\$ 684,688</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accrued expenses	\$ 1,181
Current portion of note payable (Note 3)	33,600
Total current liabilities	<u>34,781</u>
Note payable, less current portion (Note 3)	<u>52,800</u>
Commitments and contingencies (Note 4)	
Net assets:	
With donor restrictions (Note 5)	25,000
Without donor restrictions	572,107
Total net assets	<u>597,107</u>
Total liabilities and net assets	<u>\$ 684,688</u>

The accompanying notes are an integral part of these financial statements

FORERUNNER FUND
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MAY 31, 2020

	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>Total</u>
Revenues and support:			
Donations	\$ 25,000	\$ 824,421	\$ 849,421
Total revenues and support	<u>25,000</u>	<u>824,421</u>	<u>849,421</u>
Costs and expenses:			
Program services	-	432,061	432,061
Management and general	-	211,955	211,955
Fundraising	-	15,821	15,821
Total costs and expenses	<u>-</u>	<u>659,837</u>	<u>659,837</u>
Other income:			
Interest income	-	2,892	2,892
Total other income	<u>-</u>	<u>2,892</u>	<u>2,892</u>
Change in net assets	25,000	167,476	192,476
Net assets at the beginning of the year	<u>-</u>	<u>404,631</u>	<u>404,631</u>
Net assets at the end of the year	<u>\$ 25,000</u>	<u>\$ 572,107</u>	<u>\$ 597,107</u>

The accompanying notes are an integral part of these financial statements

FORERUNNER FUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2020

	Program Services					Supporting Services			Total
	K-6th Grade After-School Program	7th-8th Grade After-School Program	Mentoring	Moms	Camps	Total Program Services	Management and General	Fundraising	
Costs and expenses:									
Advertising	\$ 17,728	\$ 3,128	\$ -	\$ -	\$ -	\$ 20,856	\$ -	\$ -	\$ 20,856
Camp registration	-	-	-	-	6,474	6,474	-	-	6,474
Cleaning and utilities	-	-	-	-	-	-	14,104	-	14,104
Depreciation	7,218	1,050	3,069	258	177	11,772	5,518	-	17,290
Event expenses	-	-	-	8,324	-	8,324	-	-	8,324
Fundraising and tailgating	-	-	-	-	-	-	-	10,975	10,975
Gifts	-	-	194	-	-	194	-	-	194
Insurance	8,692	1,534	-	-	-	10,226	7,584	-	17,810
Merchant service fees	-	-	-	-	-	-	3,150	-	3,150
Miscellaneous	-	-	-	-	-	-	4,727	-	4,727
Office supplies	-	-	-	-	-	-	8,984	-	8,984
Payroll and related	180,456	23,656	105,131	1,106	-	310,349	159,590	-	469,939
Professional fees	-	-	-	-	-	-	3,452	-	3,452
Program supplies	26,942	4,754	-	-	-	31,696	-	-	31,696
Rent	15,155	3,673	3,673	1,071	1,836	25,408	4,846	4,846	35,100
Training	-	-	6,762	-	-	6,762	-	-	6,762
Total costs and expenses	\$ 256,191	\$ 37,795	\$ 118,829	\$ 10,759	\$ 8,487	\$ 432,061	\$ 211,955	\$ 15,821	\$ 659,837

The accompanying notes are an integral part of these financial statements

FORERUNNER FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2020

Cash flows from operating activities:	
Increase in net assets	\$ 192,476
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	17,290
Changes in operating assets and liabilities:	
Unconditional promise to give, with donor restrictions	(25,000)
Accrued expenses	878
Net cash provided by operating activities	185,644
Cash flows from investing activities:	
Purchase of property and equipment	(144,892)
Net cash used in investing activities	(144,892)
Cash flows from financing activities:	
Proceeds from note payable	86,400
Net cash provided by financing activities	86,400
Net increase in cash and cash equivalents	127,152
Cash at beginning of year	375,710
Cash at end of year	\$ 502,862

Supplemental Disclosures

Interest paid	-
Taxes paid	-

The accompanying notes are an integral part of these financial statements

FORERUNNER FUND
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Forerunner Fund (the Organization) is a not-for-profit organization incorporated in the state of Texas on February 6, 2010. The Organization's mission is to build relationships with youth in the Lake Highlands community of Dallas, to fulfill their potential through mentoring, programs, and supporting families in the name of Jesus Christ. The Organization is primarily funded by donations received from private donors.

Method of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization maintains deposits in one financial institution. At May 31, 2020, the Federal Deposit Insurance Corporation provided insurance coverage of up to \$250,000 per depositor, per institution. At May 31, 2020, approximately \$251,000 of the Organization's cash was in excess of federally insured limits. However, the Organization has not historically experienced any significant losses and does not believe it is exposed to any significant credit risks resulting from these excess deposits.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on management's analysis of specific promises made.

Property and Equipment

The Organization capitalizes significant property and equipment additions with an estimated useful life exceeding one year. Expenditures for major renewals or betterments that extend the useful lives of property and equipment are capitalized and depreciated over the estimated remaining useful lives of the related assets. Expenditures for maintenance and repairs are expensed when incurred. Donations of property and equipment are capitalized at their estimated fair value at the date contributed. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

FORERUNNER FUND
NOTES TO FINANCIAL STATEMENTS

Property and equipment are depreciated using the straight-line method over estimated useful lives as follows:

Furniture and equipment	5-39 years
Computer equipment	5 years
Vehicles	5 years
Leasehold improvements	10 years

The Organization evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate possible impairment. If the carrying amount for the asset is not recoverable, an impairment loss is recorded to adjust the carrying amount of the asset and the adjusted carrying amount becomes the new cost basis. For a depreciable long-lived asset, the new cost basis will be depreciated over the remaining estimated useful life of the asset.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

Advertising

The Organization expenses advertising costs as incurred. During the year ended May 31, 2020, the Organization expensed advertising costs totaling \$20,856.

Estimates

The preparation of financial statements in conformity with 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.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include advertising, insurance, program supplies, and rent expenses, which are allocated on the basis of estimates of usage, payroll and related expense, which is allocated on the basis of estimates of time and effort, and depreciation, which is allocated in a proportion equal to the respective expense totals for program services and management and general supporting services to combined total expenses, excluding fundraising services.

Income Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

FORERUNNER FUND
NOTES TO FINANCIAL STATEMENTS

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions. The Organization's unconditional promise to give is available for use within one year for general purposes.

Financial assets at May 31, 2020	\$ 527,862
Less those unavailable for general expenditures within one year	<u>-</u>
Financial assets available to meet needs for general expenditure within one year	<u>\$ 527,862</u>

3. NOTE PAYABLE

The Organization's note payable at May 31, 2020 consists of the following:

Unsecured note payable bearing interest at a rate of 1% per annum, with monthly installments of \$4,800 beginning November 17, 2020 and maturing on April 17, 2022.	\$ 86,400
Less: current maturities	<u>(33,600)</u>
	<u>\$ 52,800</u>

Future scheduled maturities of the note payable are as follows:

<u>Years ending May 31,</u>	
2021	\$ 33,600
2022	<u>52,800</u>
	<u>\$ 86,400</u>

On April 17, 2020, the Organization received loan proceeds in the amount of \$86,400 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses and organizations for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP.

4. COMMITMENTS AND CONTINGENCIES

The Organization is obligated under the terms of an operating lease agreement with an unaffiliated entity whereby, the Organization will lease certain facilities in connection with the administration of its ongoing activities and programs. Pursuant to the operating lease agreement, the Organization will remit \$2,000 payments on the first day of each month to the landlord. The agreement commenced during July 2018 and automatically renews annually unless terminated by either party with 90 days prior written notice. Pursuant to a verbal agreement with the landlord, the Organization was granted access to additional building meeting rooms for the duration of the school year in connection with the operation of its after-school program during the year ended May 31, 2020. As a condition to the verbal agreement, the Organization remitted additional monthly payments of \$1,500 to the landlord for the duration of the school year. During the year ended May 31, 2020, the Organization incurred total rent expense amounting to \$34,500 under the terms of its operating lease agreement. The Organization's minimum lease obligation for the year ending on May 31, 2021, under the terms of this lease agreement, is expected to be approximately \$24,000.

FORERUNNER FUND
NOTES TO FINANCIAL STATEMENTS

5. PROMISE TO GIVE

During May 2020, the Organization received an unconditional promise to give, totaling \$25,000, from an unrelated grantor. Pursuant to the terms of the related grant agreement, the award amount will be disbursed to the Organization throughout the fiscal year ending on May 31, 2021, and is restricted for the use within the Organization's '7th-8th Grade After-School' and 'Mentoring' programs. As of May 31, 2020, the grant award has been reflected as 'unconditional promise to give, with donor restrictions' within the Organization's accompanying statement of financial position.

Based upon an analysis of the award, management determined that an allowance for uncollectible promises receivable was not necessary as of May 31, 2020.

6. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure through September 29, 2020, the date which the financial statements were available to be issued.