

COVENANT WITH CHRIST INTERNATIONAL, INC.
(A Non-Profit Corporation)

Audited Financial Statements

December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Covenant with Christ International, Inc.
Cleveland, Texas

Opinion

We have audited the accompanying financial statements of Covenant with Christ International, Inc., (a non-profit corporation), which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Covenant with Christ International, Inc. as of December 31, 2021 and 2020, and the 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Covenant with Christ International, 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 of Covenant with Christ International, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be 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

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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Covenant with Christ International, 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 of Covenant with Christ International, 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.

Cox and Associates CPAs LLC

Cox and Associates CPAs LLC
New Caney, TX

February 22, 2022

Covenant with Christ International, Inc.
(A Non-Profit Corporation)
Statements of Financial Position
December 31, 2021 and 2020

ASSETS	2021	2020
Current Assets		
Cash (Note 1)	\$ 455,305	\$ 228,668
Grant Receivable (Note 3)	700,000	0
Receivable - insurance claim	4,834	0
Prepaid expense	4,579	0
Total Current Assets	1,164,718	228,668
Property, Plant, and Equipment (Note 4)		
Land and building	166,079	166,079
Furniture and equipment	72,299	69,592
Vehicles	310,058	79,912
Subtotal	548,436	315,583
Less: accumulated depreciation	(93,317)	(58,486)
Net Property, Plant, and Equipment	455,119	257,097
Other Assets		
Construction in progress (Note 4)	477,797	140,273
Total Other Assets	477,797	140,273
Total Assets	\$ 2,097,634	\$ 626,038
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 101,261	\$ 43,504
Note payable, current portion (Note 5)	114,300	11,250
Total Current Liabilities	215,561	54,754
Note payable, net of current portion (Note 5)	18,456	8,827
Total Liabilities	234,017	63,581
Net Assets		
Without donor restrictions	456,524	280,856
With donor restrictions (Note 6)	1,407,093	281,601
Total Net Assets	1,863,617	562,457
Total Liabilities and Net Assets	\$ 2,097,634	\$ 626,038

The accompanying notes are an integral part of these financial statements

Covenant with Christ International, Inc.
(A Non-Profit Corporation)
Statements of Activities
For the Years Ended December 31, 2021 and 2020

NET ASSETS WITHOUT DONOR RESTRICTIONS	2021	2020
Receipts and Other Support		
Contribution receipts (Note 1)	\$ 159,128	\$ 207,157
Other receipts and support	59,784	8,646
In-kind donation receipts	151,703	0
Net assets released from restrictions (Note 6)	202,725	69,253
Total Receipts and Other Support	<u>573,340</u>	<u>285,056</u>
Operating Expenses		
Program services - food bank	169,688	106,628
Program services - educational	14,329	21,159
Program services - ministry	100,803	42,024
Management and general expenses	15,319	6,323
Fundraising costs	57,600	0
Total Operating Expenses	<u>357,739</u>	<u>176,134</u>
Net Change Before Other Changes and Expenses	<u>215,601</u>	<u>108,922</u>
Other Changes and Expenses		
Depreciation expense	34,830	16,781
Loss on sale of assets	3,000	5,291
Interest expense	2,103	1,607
Total Other Changes and Expenses	<u>39,933</u>	<u>23,679</u>
Change in Net Assets Without Donor Restrictions	<u>175,668</u>	<u>85,243</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Contribution and grant receipts	1,328,217	344,164
Net assets released from restrictions (Note 6)	(202,725)	(69,253)
Change in Net Assets With Donor Restrictions	<u>1,125,492</u>	<u>274,911</u>
Change in Net Assets	1,301,160	360,154
Net Assets, Beginning of Year	<u>562,457</u>	<u>202,303</u>
Net Assets, End of Year	<u>\$ 1,863,617</u>	<u>\$ 562,457</u>

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Covenant with Christ International, Inc.
(A Non-Profit Corporation)
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Programs			Total Program	Management and General	Fund- raising	Total
	Food Bank	Educational	Ministry				
Operating Expenses							
Donations and benevolence	\$ 0	\$ 0	\$ 61,069	\$ 61,069	\$ 0	\$ 0	\$ 61,069
Food costs	2,022	0	0	2,022	0	0	2,022
Contract services	17,425	0	0	17,425	635	57,600	75,660
Vehicle expense	50,725	0	0	50,725	0	0	50,725
Travel expense	0	0	12,706	12,706	0	0	12,706
Communication and technology	1,157	463	694	2,314	578	0	2,892
Occupancy	36,911	6,426	8,967	52,304	4,861	0	57,165
Office and administrative costs	61,448	7,440	17,367	86,255	9,245	0	95,500
Total Operating Expenses	<u>169,688</u>	<u>14,329</u>	<u>100,803</u>	<u>284,820</u>	<u>15,319</u>	<u>57,600</u>	<u>357,739</u>
Other Changes and Expenses							
Interest expense	841	336	505	1,682	421	0	2,103
Loss on sale of assets	0	0	0	0	3,000	0	3,000
Depreciation expense	13,932	5,573	8,359	27,864	6,966	0	34,830
Total Other Changes and Expenses	<u>14,773</u>	<u>5,909</u>	<u>8,864</u>	<u>29,546</u>	<u>10,387</u>	<u>0</u>	<u>39,933</u>
Total Expenses	<u>\$ 184,461</u>	<u>\$ 20,238</u>	<u>\$ 109,667</u>	<u>\$ 314,366</u>	<u>\$ 25,706</u>	<u>\$ 57,600</u>	<u>\$ 397,672</u>

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Covenant with Christ International, Inc.
(A Non-Profit Corporation)
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Programs			Total Program	Management and General	Total
	Food Bank	Educational	Ministry			
Operating Expenses						
Donations and benevolence	\$ 420	\$ 200	\$ 28,602	\$ 29,222	\$ 0	\$ 29,222
Food costs	2,773	0	3,457	6,230	0	6,230
Contract services	28,102	770	1,155	30,027	963	30,990
Vehicle expense	13,717	107	160	13,984	134	14,118
Travel expense	0	779	84	863	0	863
Communication and technology	5,347	2,015	1,085	8,447	904	9,351
Occupancy	52,282	16,611	4,491	73,384	3,519	76,903
Office and administrative costs	3,987	677	2,990	7,654	803	8,457
Total Operating Expenses	<u>106,628</u>	<u>21,159</u>	<u>42,024</u>	<u>169,811</u>	<u>6,323</u>	<u>176,134</u>
Other Changes and Expenses						
Interest expense	380	491	491	1,362	245	1,607
Loss on sale of assets	0	0	0	0	5,291	5,291
Depreciation expense	14,756	540	810	16,106	675	16,781
Total Other Changes and Expenses	<u>15,136</u>	<u>1,031</u>	<u>1,301</u>	<u>17,468</u>	<u>6,211</u>	<u>23,679</u>
Total Expenses	<u>\$ 121,764</u>	<u>\$ 22,190</u>	<u>\$ 43,325</u>	<u>\$ 187,279</u>	<u>\$ 12,534</u>	<u>\$ 199,813</u>

The accompanying notes are an integral part of these financial statements

Covenant with Christ International, Inc.
(A Non-Profit Corporation)
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Cash received from contributions	\$ 159,129	\$ 194,902
Cash received from other sources	59,784	8,646
Cash paid for program expenses	(121,885)	(35,452)
Cash paid to vendors for operations	(165,866)	(59,718)
Cash paid for occupancy costs	(57,165)	(76,903)
Cash paid for interest expense	(1,515)	(1,607)
	<u>(127,518)</u>	<u>29,868</u>
Cash Flows from Investing Activities		
Cash purchase of fixed assets	(116,111)	(19,081)
Cash additions to construction in progress	(248,524)	(140,273)
Cash proceeds from the sale of fixed assets	0	2,200
	<u>(364,635)</u>	<u>(157,154)</u>
Cash Flows from Financing Activities		
Restricted building fund cash donations	633,368	344,164
Proceeds on notes payable	100,000	0
Payments on notes payable	(14,578)	(21,836)
	<u>718,790</u>	<u>322,328</u>
Net Cash Provided / (Used) by Investing Activities	<u>(364,635)</u>	<u>(157,154)</u>
Net Cash Provided / (Used) by Financing Activities	<u>718,790</u>	<u>322,328</u>
Net Increase / (Decrease) in Cash	226,637	195,042
Cash, Beginning of Year	<u>228,668</u>	<u>33,626</u>
Cash, End of Year	<u>\$ 455,305</u>	<u>\$ 228,668</u>

The accompanying notes are an integral part of these financial statements

COVENANT WITH CHRIST INTERNATIONAL, INC.
(A Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Covenant with Christ International, Inc. (the Organization) was incorporated on April 24, 2008 as a not-for-profit corporation under the laws of the State of Texas. The Organization’s mission is to bring health and hope to communities through a holistic approach to food banking by giving access to nutritious food, health and wellness support services, and through various educational and vocational programs that promote change in the fight against poverty. In 2020, the Organization created a doing business as Trinity River Food Bank, to grow and operate their food bank program under. All activities of the Trinity River Food Bank are included in these financial statements.

Method of Accounting

The accompanying financial statements of the Organization have been presented on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America (U.S. GAAP.)

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restriction—Net assets that are not subject to or are no longer subject to donor imposed stipulations.

Net Assets With Donor Restriction—Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Contributions and revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

COVENANT WITH CHRIST INTERNATIONAL, INC.
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Notes to the Financial Statements
December 31, 2021 and 2020

Donated Goods and Services

The Organization receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the Statements of Activities because the criteria for recognition of such volunteer effort under FASB ASC 958 have not been satisfied.

Cash and Cash Equivalents

The Organization's policy is to record all liquid investments with original maturities of three months or less as cash equivalents. The carrying value of cash approximates fair value because of the short maturities of those financial instruments. There are no cash equivalents at this time.

Income Taxes

The Organization is a not-for-profit corporation that is exempt from federal income taxes under Section 501(c)3 of the Internal Revenue Code. The Organization files an annual informational return. The Organization is also subject to taxes on unrelated business income when applicable. The 990T is filed to report any unrelated business income with the filing of the 990. The 2021 990 will be filed by the Internal Revenue Service due date. There is no unrelated business income during the calendar years 2021 and 2020.

During 2020, the Organization filed and was approved as a stand-alone 501(c)3 tax exempt corporation. Prior to 2020, the Organization operated under the umbrella of a group exemption maintained by a church denomination. No 990s were required to be filed prior to 2020 and none were filed.

The Organization believes that all significant tax positions utilized by the Organization will more likely than not be sustained upon examination. As of December 31, 2021, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2020 forward. Tax penalties and interest, if any, would be accrued as incurred and would be classified as office and administrative expense in the Statements of Activities and Functional Expenses.

Recognition of Revenue

Contributions received during the current period are recognized as support when cash is received. The Organization receives much of its support from contributions. Donors are under no contractual obligation to continue making contributions.

COVENANT WITH CHRIST INTERNATIONAL, INC.
(A Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021 and 2020

Uses of Estimates

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

Significant Non-cash Transactions

The Organization engaged in the following significant non-cash activities during the year 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Investing and financing activities		
Non-cash donation of equipment, vehicles, and supplies	\$ 151,703	\$ 15,470
Purchase of trailer with note payable	\$ 27,240	\$ 0

Subsequent Events

Subsequent events have been evaluated by management through the date the financial statements were available to be issued, February 22, 2022. There are no subsequent events requiring disclosure of or adjustment to the financial statements

NOTE 2 – LIQUIDITY

The following table reflects the Organization’s financial assets as of December 31, 2021 and 2020, respectively, reduced by amounts that are not available to meet general expenditures within one year of the Organization’s year-end because of either contractual restrictions or internal board designations.

	<u>2021</u>	<u>2020</u>
Cash	\$ 455,305	\$ 228,668
Grants and Insurance claim receivable	704,834	0
Less: cash reserved for future designated use	(929,296)	(138,329)
Total available cash for general expenditures	\$ 230,843	\$ 90,339

NOTE 3 – GRANTS RECEIVABLE

The Organization has been awarded several grants for the purpose of constructing a food distribution warehouse in 2021 for Trinity River Food Bank. The funds are available as needed for this project.

COVENANT WITH CHRIST INTERNATIONAL, INC.
(A Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021 and 2020

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of land, buildings, furniture, equipment, and vehicles. Capital purchases are recorded at cost or, in the case of donated assets, at the estimated fair market value on the date of the gift; expenditures for maintenance and repairs are expensed. Depreciation is computed on the straight-line method over the assets' estimated useful lives of between 3 and 30 years. For the years ended December 31, 2021 and 2020, respectively, depreciation expense is \$34,830 and \$16,781.

In August 2020, the Organization began construction of a facility to house their food bank. Total monies spent for construction as of December 31, 2021 and 2020, respectively, are \$477,797 and \$140,273.

NOTE 5 – NOTES PAYABLE

The executive director has made a short-term loan to the Organization to help with expenses while the Organization is waiting on additional grants to be received. The balance in this short term note payable is \$100,000 and \$0 at December 31, 2021 and 2020, respectively. There is no interest due, no specific due date, and no collateral. The loan is payable on demand.

Long-term debt is comprised of the following at December 31:

	2021	2020
Note payable to Marlin Capital Solutions dated May 2021 and matures May 2026. The loan carries an interest rate of 8.44% and is paid in monthly installments of \$454. The note is secured by a 2013 utility trailer.	\$ 24,077	\$ 0
Note payable to James and Sandra Holt dated July 2012 and matures in July 2022. The loan carries an interest rate of 6.0% and is payable in monthly installments of \$722. The note is secured by the land.	6,186	14,352
Note payable to First Bank and Trust East Texas dated September 2017 and matures in September 2022. The loan carries an interest rate of 5.25%. Monthly payments are \$286. The note is secured by equipment.	2,493	5,725
Total Long-Term Debt	32,756	20,077

COVENANT WITH CHRIST INTERNATIONAL, INC.
(A Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021 and 2020

Less Current Portion	(14,300)	(11,250)
Long- Term Portion	\$ 18,456	\$ 8,877

The scheduled aggregate maturities of long-term debt over the next five years are as follows:

For the year ended December 31, 2022	14,300
2023	5,500
2024	5,500
2025	5,500
2026	2,300

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

The Organization receives grants and donations that are earmarked for specific purposes. These monies are held until commitments regarding their use have been fulfilled and the assets placed in service, or the passage of time has occurred, according to U.S. GAAP. Total monies released from restriction during the year ended December 31, 2021 and 2020, respectively, is \$967,991 and \$69,253. As of December 31, 2021 and 2020, respectively, the balance in net assets with donor restrictions is \$1,407,093 and \$281,601.

The Organization’s net assets with donor restrictions are available to be used for the following purposes:

	2021	2020
Building construction	\$ 1,294,752	\$ 263,700
Project Care program	19,951	11,517
Humanitarian aid	89,264	0
Mission programs	3,126	6,384
Total Net Assets With Donor Restrictions	\$ 1,407,093	\$ 281,601

NOTE 7 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the programs have been summarized for the Statements of Activities and presented by natural expense categories in the Statements of Functional Expenses. Direct expenses are allocated 100% to the program. Indirect expenses require allocation on a reasonable basis between programs and supporting functions that are consistently applied. The Organization makes these allocations as the monies are expensed based on a cost usage study and management’s best estimates. The indirect expenses that are allocated include occupancy,

COVENANT WITH CHRIST INTERNATIONAL, INC.
(A Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021 and 2020

office and administrative costs, interest expense, and depreciation expense. Management estimates that 80 percent of the indirect expenses should be allocated to program and 20 percent to management and general.

NOTE 8 – CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Organization to concentrations of credit risk consists principally of cash. The Organization maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. The Organization has uninsured balances of \$186,073 and \$23,808 at December 31, 2021 and 2020, respectively.

The Organization is primarily dependent upon contributions by its donors to meet expenses of operation. Although the management of the Organization expects contributions to be adequate, there can be no assurance that such contributions will be sufficient to meet these obligations. Also, there is no assurance that the number of donors or the per capita contribution by donors will either increase or remain stable.