

AUSTIN DISASTER RELIEF NETWORK
(A Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

December 31, 2017 and 2016

AUSTIN DISASTER RELIEF NETWORK
(A Nonprofit Corporation)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Austin Disaster Relief Network

We have audited the accompanying financial statements of Austin Disaster Relief Network (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, 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 of 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 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 Austin Disaster Relief Network as of December 31, 2017, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Austin Disaster Relief Network for the year ended December 31, 2016, were audited by another auditor who expressed an unmodified opinion on those statements on August 7, 2017.

A handwritten signature in cursive script that reads "Atchley & Associates, LLP".

Austin, Texas
September 14, 2018

AUSTIN DISASTER RELIEF NETWORK
(A Nonprofit Corporation)
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2017 and 2016

Assets		
	2017	2016
Current assets:		
Cash and cash equivalents	\$ 2,218,940	\$ 398,295
Prepaid	3,250	3,000
Inventory	18,264	19,731
Total current assets	2,240,454	421,362
Property and equipment, net	105,016	69,761
Total assets	\$ 2,345,470	\$ 491,123
Liabilities And Net Assets		
Current liabilities:		
Accounts payable	\$ 8,218	\$ 1,013
Total current liabilities	8,218	1,013
Total liabilities	8,218	1,013
Net assets:		
Unrestricted net assets	790,642	320,548
Temporarily restricted net assets	1,546,610	169,562
Total net assets	2,337,252	490,110
Total liabilities and net assets	\$ 2,345,470	\$ 491,123

The Notes to Financial Statements are an integral part of these financial statements.

AUSTIN DISASTER RELIEF NETWORK
(A Nonprofit Corporation)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Revenues:				
In-kind revenue	\$ 8,126	\$ 7,099,360	\$ -	\$ 7,107,486
Contributions	929,168	3,197,171	-	4,126,339
Fundraising	243,528	-	-	243,528
Other revenue	167,476	-	-	167,476
Training income	28,220	-	-	28,220
Grants and Contracts	5,500	-	-	5,500
	<u>1,382,018</u>	<u>10,296,531</u>	<u>-</u>	<u>11,678,549</u>
Released from restrictions	<u>8,919,483</u>	<u>(8,919,483)</u>	<u>-</u>	<u>-</u>
 Total revenues	 <u>10,301,501</u>	 <u>1,377,048</u>	 <u>-</u>	 <u>11,678,549</u>
Expenses:				
Program services				
Disaster support	9,588,278	-	-	9,588,278
Management and general	130,531	-	-	130,531
Fundraising	112,598	-	-	112,598
	<u>9,831,407</u>	<u>-</u>	<u>-</u>	<u>9,831,407</u>
 Change in unrestricted net assets	 470,094	 1,377,048	 -	 1,847,142
Net assets, beginning of year	<u>320,548</u>	<u>169,562</u>	<u>-</u>	<u>490,110</u>
Net assets, end of year	<u>\$ 790,642</u>	<u>\$ 1,546,610</u>	<u>\$ -</u>	<u>\$ 2,337,252</u>

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AUSTIN DISASTER RELIEF NETWORK
(A Nonprofit Corporation)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Revenues:				
In-kind revenue	\$ 222,475	\$ -	\$ -	\$ 222,475
Contributions	526,657	231,291	-	757,948
Fundraising	236,025	-	-	236,025
Other revenue	82,791	-	-	82,791
Training income	24,910	-	-	24,910
Grants and Contracts	79,000	-	-	79,000
	<u>1,171,858</u>	<u>231,291</u>	<u>-</u>	<u>1,403,149</u>
Released from restrictions	<u>650,744</u>	<u>(650,744)</u>	<u>-</u>	<u>-</u>
 Total revenues	 <u>1,822,602</u>	 <u>(419,453)</u>	 <u>-</u>	 <u>1,403,149</u>
Expenses:				
Program services				
Disaster support	1,585,825	-	-	1,585,825
Management and general	152,193	-	-	152,193
Fundraising	95,015	-	-	95,015
	<u>1,833,033</u>	<u>-</u>	<u>-</u>	<u>1,833,033</u>
 Change in unrestricted net assets	 (10,431)	 (419,453)	 -	 (429,884)
 Net assets, beginning of year	 <u>330,979</u>	 <u>589,015</u>	 <u>-</u>	 <u>919,994</u>
 Net assets, end of year	 <u>\$ 320,548</u>	 <u>\$ 169,562</u>	 <u>\$ -</u>	 <u>\$ 490,110</u>

The Notes to Financial Statements are an integral part of these financial statements.

AUSTIN DISASTER RELIEF NETWORK
(A Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program		Fundraising	Totals
	Services <u>Disaster Support</u>	General & <u>Administrative</u>		
Disaster support	\$ 8,561,991	\$ -	\$ -	\$ 8,561,991
Salaries and wages	310,498	38,812	38,812	388,122
Professional services	276,598	34,575	34,575	345,748
Office expenses	88,636	21,157	5,344	115,137
Occupancy	69,467	8,683	8,683	86,833
Miscellaneous	59,798	7,475	7,475	74,748
Advertising and promotion	56,189	7,024	7,024	70,237
Trainings, conferences and events	66,589	-	-	66,589
Travel	28,586	3,573	3,573	35,732
Payroll taxes	25,934	3,242	3,242	32,418
Information technology	17,315	2,164	2,164	21,643
Insurance expense	13,647	1,706	1,706	17,059
Depreciation	8,480	2,120	-	10,600
HOPE Prayer Room expense	4,550	-	-	4,550
Totals	<u>\$ 9,588,278</u>	<u>\$ 130,531</u>	<u>\$ 112,598</u>	<u>\$ 9,831,407</u>

The Notes to Financial Statements are an integral part of these financial statements.

AUSTIN DISASTER RELIEF NETWORK
(A Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	Program Services	General & Administrative	Fundraising	Totals
	<u>Disaster Support</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Disaster support	\$ 724,173	\$ -	\$ -	\$ 724,173
Salaries and wages	234,041	29,255	29,255	292,551
Professional services	226,188	28,274	28,273	282,735
Office expenses	5,600	56,795	700	63,095
Occupancy	46,808	5,851	5,851	58,510
Miscellaneous	123,455	15,432	15,432	154,319
Advertising and promotion	60,646	7,581	7,581	75,808
Trainings, conferences and events	79,263	-	-	79,263
Travel	22,814	2,852	2,851	28,517
Payroll taxes	19,439	2,430	2,430	24,299
Information technology	13,606	1,701	1,701	17,008
Insurance expense	7,528	941	941	9,410
Depreciation	4,324	1,081	-	5,405
HOPE Prayer Room expense	17,940	-	-	17,940
Totals	<u>\$ 1,585,825</u>	<u>\$ 152,193</u>	<u>\$ 95,015</u>	<u>\$ 1,833,033</u>

The Notes to Financial Statements are an integral part of these financial statements.

AUSTIN DISASTER RELIEF NETWORK
(A Nonprofit Corporation)
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 1,847,142	\$ (429,884)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,600	5,405
Donations of fixed assets	(7,000)	(12,472)
Gain on disposal of equipment	(8)	-
Decrease (increase) in:		
Accounts receivable	336	(336)
Inventory	1,467	12,751
Prepaid	(250)	-
Increase (decrease) in:		
Accounts payable	7,205	450
Net Cash Provided by Operating Activities	1,859,492	(424,086)
Cash Flows From Investing Activities		
Purchase of property and equipment	(41,347)	(22,063)
Proceeds from sale of property and equipment	2,500	-
Net Cash Used in Investing Activities	(38,847)	(22,063)
Net Increase in Cash	1,820,645	(446,149)
Cash, beginning of the year	398,295	844,444
Cash, end of the year	\$ 2,218,940	\$ 398,295
Supplemental Disclosure:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

The Notes to Financial Statements are an integral part of these financial statements.

AUSTIN DISASTER RELIEF NETWORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 - GENERAL INFORMATION

Austin Disaster Relief Network (ADRN) is a non-profit organization that was founded in Austin, Texas. Austin Disaster Relief Network is comprised of churches, ministries and businesses within the Christian community of Greater Austin to form a disaster relief alliance to help those in need in times of disaster.

ADRN's mission is to glorify Christ by equipping, empowering, and mobilizing a network of churches to respond to the physical, emotional and spiritual needs of those affected by disaster (Luke 10:25-37, Ephesians 4:12-16).

Our Vision is to have an active, empowered network of prepared churches, bringing hope into crisis through the transforming power of Jesus Christ to every life and community we serve (Revelation 19:7).

Core Values –

1. We are Christian. Everything we think, say or do is Christian and for the sake of Christ and the expanding of His Kingdom.
2. We believe prayer and His presence working through us is vital in all we do.
3. We believe that a combination of emotional, physical and spiritual assistance is required in the event of a disaster.
4. We seek to dwell in unity for the sake of Christ (Psalm 133).
5. We place a high value on every person we assist because we believe Christ died for them (Luke 10:25-37).
6. We believe integrity, trust and building Christ-like relationships is an essential.
7. We value transformation in the lives of people we serve.
8. We value the spirit of excellence.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Contributions received are recorded as unrestricted, temporarily restricted and permanently restricted support depending on the existence or nature of donor stipulations.

Classification of Net Assets

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of ADRN and changes therein are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions, including Board designated net assets for a Disaster Emergency Fund.

AUSTIN DISASTER RELIEF NETWORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations which expire when the stipulated purpose for which the resource was restricted has been fulfilled.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by ADRN.

Contributions whose restrictions are met in the same period they are received are classified as unrestricted contributions in the statements of activities.

Cash and Equivalents

For the purpose of the statements of cash flows, ADRN considers cash and highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Contributions

Contributions received, including grants, are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the nature of any donor restrictions.

Inventory

Inventories consist of merchandise for sale, stated at the lower of cost (average cost) or net realizable value, and donated vehicles that are stated at fair value, when received.

Advertising

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2017 and 2016, totaled \$70,237 and \$75,808, respectively.

Federal Income Taxes

ADRN is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3). Therefore, no provision has been made for taxes on income. ADRN is potentially subject to income tax audits for the previous three years which are open. There are currently no income tax audits for any tax periods in progress.

Functional Accounting

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or that relate to a specific source of revenue are allocated directly to that program.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

AUSTIN DISASTER RELIEF NETWORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Purchases of property and equipment are capitalized at cost if purchased and at fair market value at the date of receipt if donated. ADRN capitalizes all acquisitions in excess of \$1,000 with a useful life greater than one year. Depreciation is computed using the straight-line method and the following estimated useful lives:

Property improvements	10-15 years
Vehicles	5 years
Furniture and equipment	3-5 years

Fair Value Measurements

The requirements of Fair Value Measurements and Disclosures of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is a market based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement is the same in both cases – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price). Fair Value Measurements and Disclosures also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 Inputs - Inputs other than quoted prices included with Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 Inputs - Unobservable inputs for the asset or liability.

The fair value of ADRN's current assets and current liabilities approximate the carrying amounts of such instruments due to their short maturity.

Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Management evaluated subsequent events through the issuance date of the audit report and there were no subsequent events to be disclosed.

AUSTIN DISASTER RELIEF NETWORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which requires presentation on the face of the statements of financial position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the currently required three classes. The standard also requires the presentation on the face of the statements of activities the amount of the change in each of these two classes of net assets. The entity will be required to provide enhanced disclosures about liquidity in the footnotes to the financial statements. The standard is effective for fiscal years beginning after December 15, 2017, and early adoption is permitted. ADRN is currently evaluating the impact the standard will have on its financial statements.

NOTE 3 - CONCENTRATION OF RISK

Financial instruments that potentially subject ADRN to concentrations of credit risk consist principally of cash deposits. At December 31, 2017, ADRN had cash deposits in banks that exceeded FDIC insured limits by \$1,402,105.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016, were for the following purposes:

	<u>2017</u>	<u>2016</u>
General Disaster Fund	\$ 75,713	\$ 1,221
Donor Database Fund	7,500	-
HOPE Prayer Room Fund	4,313	12,744
Information Technology Fund	3,442	3,716
Hurricane Harvey - 2017	1,452,768	-
"Flood Aid" Fundraiser - 2015 Memorial Weekend Flood (MWF) Event	-	34,928
May 2016 Floods Fund	1,702	3,406
2015 Memorial Weekend Flood Fund	1,172	36,964
2015 MWF Hays County Flood Fund	-	50,446
2015 MWF Taylor Flood Fund	-	16,286
October 2015 Flood Fund	-	9,851
Total	<u>\$ 1,546,610</u>	<u>\$ 169,562</u>

In addition, the Board has designated \$286,999 and \$175,689 from unrestricted contributions for ADRN's Emergency Fund, as of December 31, 2017 and 2016, respectively.

AUSTIN DISASTER RELIEF NETWORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5 - IN-KIND CONTRIBUTIONS

ADRN has recorded an in-kind contribution of rent. In addition, ADRN received in-kind contributions from the general public for disaster supplies and equipment. In the statements of activities, in-kind contributions are recorded as follows:

	<u>2017</u>	<u>2016</u>
Disaster Supplies & Equipment	\$ 7,107,486	\$ 163,965
Occupancy (rent)	-	58,510
Total	<u>\$ 7,107,486</u>	<u>\$ 222,475</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisting of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 38,781	\$ 38,781
Furniture and equipment	69,854	37,997
Automobiles	500	-
Work In Progress	13,000	-
	<u>122,135</u>	<u>76,778</u>
Accumulated depreciation	<u>(17,119)</u>	<u>(7,017)</u>
Total	<u>\$ 105,016</u>	<u>\$ 69,761</u>

Depreciation expense for property and equipment was \$10,600 and \$5,405 for the years ended December 31, 2017 and 2016, respectively.

NOTE 7 - RELATED PARTY

In 2015, ADRN established a separate 501(c)(3) nonprofit organization called the ADRN Thrift Store, Inc. (the Store) to handle the large inflow of in-kind contributions when disasters occur, to serve survivors of disaster, and to sell merchandise to the community at large in order to raise funds to support ADRN's disaster efforts and to cover the occupancy expenses associated with ADRN's headquarters, offices and warehouse. The Store makes contributions to ADRN each month for an amount up to the Store's net profit. For the years ended December 31, 2017 and 2016, ADRN received cash contributions from the Store in the amount of \$165,393 and \$80,608, respectively. For the year ended December 31, 2016, ADRN received from the Store non-cash contributions of supplies and equipment in the amount of \$147,483 and in-kind rent of \$58,510.