

**Katy Christian Ministries**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2018 and 2017

# Katy Christian Ministries

## Table of Contents

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	Page
<b>Independent Auditors' Report</b>	1
<b>Financial Statements:</b>	
Statements of Financial Position as of December 31, 2018 and 2017	3
Statement of Activities for the year ended December 31, 2018	4
Statement of Activities for the year ended December 31, 2017	5
Statements of Cash Flows for the years ended December 31, 2018 and 2017	6
Statement of Functional Expenses for the year ended December 31, 2018	7
Statement of Functional Expenses for the year ended December 31, 2017	8
Notes to Financial Statements for the years ended December 31, 2018 and 2017	9

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## Independent Auditors' Report

To the Board of Directors of  
Katy Christian Ministries:

We have audited the accompanying financial statements of Katy Christian Ministries, which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statements of activities, of cash flows, and of functional expenses for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 Katy Christian Ministries as of December 31, 2018 and 2017 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.

### **Adoption of New Accounting Standard**

As discussed in Note 2 to the financial statements, Katy Christian Ministries adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements as of and for the year ended December 31, 2017 except that certain information has been omitted as permitted by the ASU. Our opinion is not modified with respect to this matter.

*Blazek & Vetterling*

June 20, 2019

## Katy Christian Ministries

Statements of Financial Position as of December 31, 2018 and 2017

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	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 1,123,245	\$ 1,010,861
Government grants receivable	47,412	46,650
Prepaid expenses and other assets	40,356	19,159
Food pantry inventory	88,010	79,726
Resale shop inventory	37,260	31,164
Property, net ( <i>Note 4</i> )	<u>82,521</u>	<u>75,216</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,418,804</u></b>	<b><u>\$ 1,262,776</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 80,183	\$ 72,033
Deferred revenue	<u>30,000</u>	<u>16,100</u>
Total liabilities	<u>110,183</u>	<u>88,133</u>
Net assets:		
Without donor restrictions ( <i>Note 6</i> )	828,902	625,906
With donor restrictions ( <i>Note 7</i> )	<u>479,719</u>	<u>548,737</u>
Total net assets	<u>1,308,621</u>	<u>1,174,643</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,418,804</u></b>	<b><u>\$ 1,262,776</u></b>

*See accompanying notes to financial statements.*

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## Katy Christian Ministries

Statement of Activities for the year ended December 31, 2018

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Resale shop revenues:			
In-kind contributions of resale shop inventory ( <i>Note 10</i> )	\$ 832,259		\$ 832,259
In-kind cost of goods sold	(826,164)		(826,164)
Sales of donated items	<u>832,260</u>		<u>832,260</u>
Net revenue from resale shops	838,355		838,355
Contributions	296,923	\$ 1,273,707	1,570,630
In-kind food donations ( <i>Note 10</i> )	1,938,636		1,938,636
Other in-kind contributions ( <i>Note 10</i> )	39,387		39,387
Special event	168,376		168,376
Cost of direct donor benefits	(23,325)		(23,325)
Government grants ( <i>Note 8</i> )	458,156		458,156
Other revenue	<u>4,638</u>		<u>4,638</u>
Total revenue	3,721,146	1,273,707	4,994,853
Net assets released from restrictions:			
Program expenditures	<u>1,342,725</u>	<u>(1,342,725)</u>	
Total	<u>5,063,871</u>	<u>(69,018)</u>	<u>4,994,853</u>
EXPENSES:			
Program services:			
Food Pantry	2,045,911		2,045,911
Social Services	1,551,964		1,551,964
Resale Shop	464,894		464,894
Domestic Abuse Center	198,395		198,395
Sexual Abuse Center	<u>171,720</u>		<u>171,720</u>
Total program services	4,432,884		4,432,884
Management and general	292,367		292,367
Fundraising	<u>135,624</u>		<u>135,624</u>
Total expenses	<u>4,860,875</u>		<u>4,860,875</u>
CHANGES IN NET ASSETS	202,996	(69,018)	133,978
Net assets, beginning of year	<u>625,906</u>	<u>548,737</u>	<u>1,174,643</u>
Net assets, end of year	<u>\$ 828,902</u>	<u>\$ 479,719</u>	<u>\$ 1,308,621</u>

*See accompanying notes to financial statements.*

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## Katy Christian Ministries

Statement of Activities for the year ended December 31, 2017

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Resale shop revenues:			
In-kind contributions of resale shop inventory (Note 10)	\$ 691,788		\$ 691,788
In-kind cost of goods sold	(697,172)		(697,172)
Sales of donated items	<u>659,048</u>		<u>659,048</u>
Net revenue from resale shops	653,664		653,664
Contributions	453,162	\$ 1,059,306	1,512,468
In-kind food donations (Note 10)	1,698,352		1,698,352
Other in-kind contributions (Note 10)	57,623		57,623
Special event	136,939		136,939
Cost of direct donor benefits	(25,249)		(25,249)
Government grants (Note 8)	314,358		314,358
Gain on sale of property (Note 12)	45,401		45,401
Loss on disposal of assets (Note 12)	<u>(17,953)</u>		<u>(17,953)</u>
Total revenue	3,316,297	1,059,306	4,375,603
Net assets released from restrictions:			
Program expenditures	<u>585,811</u>	<u>(585,811)</u>	
Total	<u>3,902,108</u>	<u>473,495</u>	<u>4,375,603</u>
EXPENSES:			
Program services:			
Food Pantry	1,788,720		1,788,720
Social Services	609,422		609,422
Resale Shop	504,292		504,292
Domestic Abuse Center	191,616		191,616
Sexual Abuse Center	<u>164,509</u>		<u>164,509</u>
Total program services	3,258,559		3,258,559
Management and general	236,440		236,440
Fundraising	<u>153,835</u>		<u>153,835</u>
Total expenses	<u>3,648,834</u>		<u>3,648,834</u>
CHANGES IN NET ASSETS	253,274	473,495	726,769
Net assets, beginning of year (Note 2)	<u>372,632</u>	<u>75,242</u>	<u>447,874</u>
Net assets, end of year	<u>\$ 625,906</u>	<u>\$ 548,737</u>	<u>\$ 1,174,643</u>

*See accompanying notes to financial statements.*

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## Katy Christian Ministries

### Statements of Cash Flows for the years ended December 31, 2018 and 2017

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	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 133,978	\$ 726,769
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	15,633	8,428
Loss on disposal of assets		17,953
Changes in operating assets and liabilities:		
Government grants receivable	(762)	22,813
Prepaid expenses and other assets	(21,197)	(1,726)
Food pantry inventory	(8,284)	3,351
Resale shop inventory	(6,096)	5,383
Accounts payable and accrued liabilities	8,150	13,614
Deferred revenue	<u>13,900</u>	<u>4,084</u>
Net cash provided by operating activities	<u>135,322</u>	<u>800,669</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property	<u>(22,938)</u>	<u>(52,268)</u>
NET CHANGE IN CASH	112,384	748,401
Cash, beginning of year	<u>1,010,861</u>	<u>262,460</u>
Cash, end of year	<u>\$ 1,123,245</u>	<u>\$ 1,010,861</u>

*See accompanying notes to financial statements.*

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## Katy Christian Ministries

### Statement of Functional Expenses for the year ended December 31, 2018

	FOOD PANTRY	SOCIAL SERVICES	RESALE SHOP	DOMESTIC ABUSE CENTER	SEXUAL ABUSE CENTER	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Direct assistance	\$ 1,949,779	\$ 1,149,799		\$ 12,507	\$ 8,056			\$ 3,120,141
Salaries and related benefits	34,387	319,518	\$ 273,833	157,666	141,419	\$ 215,704	\$ 99,363	1,241,890
Rent	36,566	19,807	101,609	7,618	7,618	1,878	1,054	176,150
Professional services		20,420				32,088	27,606	80,114
Supplies	2,181	27,015	7,198	3,180	2,041	4,129	2,977	48,721
Utilities	7,085	1,822	9,744	1,025	1,025	1,166	656	22,523
Insurance	3,598	1,038	15,168	318	318	754	424	21,618
Computer	1,319	2,576	645	2,291	898	12,236		19,965
Depreciation	5,300	1,072	5,820	431	623	1,540	847	15,633
Telephone	943	1,343	3,788	3,820	3,230	1,060	596	14,780
Rental – storage			14,000					14,000
Bank and credit card fees	32		10,032	5		1,723	1,290	13,082
Mileage reimbursement		4,103	643	2,373	3,980	1,028		12,127
Repairs and maintenance	2,814	1,468	733	813	796	5,451		12,075
Auto and truck	1,377		8,284					9,661
Trash			9,614					9,614
Other	<u>530</u>	<u>1,983</u>	<u>3,783</u>	<u>6,348</u>	<u>1,716</u>	<u>13,610</u>	<u>811</u>	<u>28,781</u>
Total expenses	<u>\$ 2,045,911</u>	<u>\$ 1,551,964</u>	<u>\$ 464,894</u>	<u>\$ 198,395</u>	<u>\$ 171,720</u>	<u>\$ 292,367</u>	<u>\$ 135,624</u>	4,860,875
In-kind cost of goods sold								826,164
Cost of direct donor benefits								<u>23,325</u>
Total								<u>\$ 5,710,364</u>

*See accompanying notes to financial statements.*

## Katy Christian Ministries

### Statement of Functional Expenses for the year ended December 31, 2017

	FOOD PANTRY	SOCIAL SERVICES	RESALE SHOP	DOMESTIC ABUSE CENTER	SEXUAL ABUSE CENTER	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Direct assistance	\$ 1,719,735	\$ 413,890		\$ 15,568	\$ 15,234			\$ 2,164,427
Salaries and related benefits	32,121	175,523	\$ 331,501	153,669	124,695	\$ 149,396	\$ 69,614	1,036,519
Rent	25,832	8,815	102,054	5,895	5,895	8,832	4,967	162,290
Professional services		195		1,266	1,266	16,473	40,965	60,165
Supplies	1,539	1,993	4,176	1,736	3,044	17,353	31,918	61,759
Utilities	3,123	809	9,813	812	755	1,487	837	17,636
Insurance	318	1,927	10,344	963	1,927	2,425	1,364	19,268
Computer	1,108	1,108	296	1,333	1,283	17,246		22,374
Depreciation	1,377	770	4,239	227	631	1,092	92	8,428
Telephone	1,332	1,332	3,523	3,616	3,185	653	367	14,008
Rental – storage		96	96	96	96	359		743
Bank and credit card fees	53	67	10,788	13		3,426	1,594	15,941
Mileage reimbursement	43	2,176	551	2,834	3,713	1,370		10,687
Repairs and maintenance	1,337	721	3,189	1,040	1,040	3,013		10,340
Auto and truck	615		10,669	40		849		12,173
Trash			10,226			1,447		11,673
Other	187		2,827	2,508	1,745	11,019	2,117	20,403
Total expenses	<u>\$ 1,788,720</u>	<u>\$ 609,422</u>	<u>\$ 504,292</u>	<u>\$ 191,616</u>	<u>\$ 164,509</u>	<u>\$ 236,440</u>	<u>\$ 153,835</u>	3,648,834
In-kind cost of goods sold								697,172
Cost of direct donor benefits								<u>25,249</u>
Total								<u>\$ 4,371,255</u>

*See accompanying notes to financial statements.*

## Katy Christian Ministries

Notes to Financial Statements for the years ended December 31, 2018 and 2017

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Katy Christian Ministries (KCM) is a nonprofit corporation supported by member churches in the Katy area to provide services to those in need in the Katy/West Houston area. Its mission is to address the needs of families and individuals who find themselves in temporary crisis and in need of assistance to maintain self-sufficiency and avoid homelessness.

KCM provides Christ-centered services through the following programs:

- The *Food Pantry* supplies non-perishable food, personal care items, and fresh produce from yard gardeners, local farmers and the KCM Community Garden.
- The *Resale Shop* sells donated goods to provide a low-cost source of clothing, furniture, books, toys, and household goods to the community and provides certain goods free of charge to individuals and families in KCM programs.
- *Social Services* provides referrals to various support and services in the community plus direct assistance including rent/mortgage assistance, utilities, and school supplies.
- The *Domestic Abuse Center* provides emergency shelter referrals or placement; accompaniment to hospitals, courts and law enforcement agencies; and various related support and advocacy services.
- The *Sexual Abuse Center* provides counseling and support services to those affected by sexual abuse.

Federal income tax status – KCM is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(2).

Cash – Bank deposits exceed the federally insured limit per depositor per institution.

Food pantry inventory – The estimated fair value of food donated is based on an average fair value per meal determined by weighing the amount of food donated and converting the number of pounds to the number of meals using a factor of 1.2 pounds per meal. The value of the meals is calculated at a standard per meal rate determined by a national food bank.

Resale shop inventory is carried at the lower of cost or net realizable value. The majority of items sold in the KCM resale shop are received as in-kind contributions from the general public. The fair value of these contributions is based on the estimated sale price of each item and is recognized in the financial statements as in-kind contributions.

Property is reported at cost if purchased or at fair value at the date of gift if donated. Generally, acquisitions of property in excess of \$500 are capitalized. Depreciation is provided using the straight-line method over estimated useful lives of 5 to 40 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Resale shop sales are recognized as revenue at the time of sale.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Donated materials and services – Donated materials are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of volunteers have contributed significant time in connection with programs, administration, and fundraising for which no amount has been recorded in the financial statements because the donated services did not meet the criteria for recognition under generally accepted accounting principles.

Special event revenue is recognized when the event occurs. Amounts received for future events are reported in the statement of financial position as deferred revenue. Direct donor benefits represent the cost of goods and services provided to attendees of special events.

Government grants revenue is recognized when the related services are provided.

Functional allocation of expenses – Expenses are reported by their functional classification as program services or supporting activities. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to one or more program or supporting activities are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation and occupancy costs are allocated based on square footage.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncements – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The ASU is effective for fiscal periods beginning after December 15, 2019. KCM plans to adopt this ASU for its fiscal year ending December 31, 2020. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

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 in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. KCM is required to apply the amendments in its fiscal year 2019 financial statements. The amendments should be applied on a modified prospective basis, but retrospective application also is permitted. Management has not determined the impact adoption of this ASU will have on the financial statements.

## NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

KCM adopted the amendments of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements for the year ended December 31, 2017, except that information regarding liquidity and availability of resources has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2018 presentation but had no impact on total net assets or total changes in net assets for 2017.

## NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31, 2018 comprise the following:

Financial assets at December 31, 2018:	
Cash	\$ 1,123,245
Government grants receivable	47,412
Contributions receivable	<u>31,218</u>
Total financial assets	1,201,875
Less financial assets not available for general expenditure:	
Board-designated for capital expansion	(173,212)
Board-designated for operating reserves	<u>(270,000)</u>
Total financial assets available for general expenditure	<u>\$ 758,663</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, KCM considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

KCM is supported by various donations from their 52-member churches, individuals, foundations, corporations, and the government agencies. As part of the organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. KCM's Board of Directors has designated a portion of its unrestricted resources for capital expansion and operating reserves. These funds remain available and may be spent at the discretion of the Board of Directors. KCM also has a \$50,000 line of credit that may be drawn upon in the event of unanticipated financial circumstances or an immediate liquidity need resulting from events outside the typical business cycle of converting financial assets to cash or settling financial liabilities.

#### NOTE 4 – PROPERTY

At December 31, 2018 and 2017, property consists of various office furniture and equipment and leasehold improvements reported net of accumulated depreciation of approximately \$171,000 and \$156,000, respectively.

#### NOTE 5 – NOTES PAYABLE

KCM has a \$50,000 revolving line of credit with a bank; interest at 3.25% and monthly minimum payments the greater of 3% of the balance, or \$150. The line of credit had no balance at December 31, 2018 and 2017.

#### NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 303,169	\$ 350,690
Board-designated reserves:		
Operating	270,000	200,000
Capital expansion	173,212	
Property, net	<u>82,521</u>	<u>75,216</u>
Total net assets without restrictions	<u>\$ 828,902</u>	<u>\$ 625,906</u>

#### NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2018</u>	<u>2017</u>
Emergency disaster relief	\$ 309,827	\$ 497,446
Emergency disaster relief – case worker salaries	112,644	39,329
School supplies	7,473	11,962
Rent/mortgage assistance	21,713	
Food pantry	20,250	
Other	<u>7,812</u>	
Total net assets with donor restrictions	<u>\$ 479,719</u>	<u>\$ 548,737</u>

#### NOTE 8 – GOVERNMENT GRANTS

KCM receives funding through contracts with federal and state governmental agencies. Government grants require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of noncompliance by KCM with the terms of the contracts. Management believes such disallowances, if any, would not be material to KCM's financial position or changes in net assets.

## NOTE 9 – COMMITMENTS

Lease commitments – KCM leases office and retail space and equipment under noncancelable operating lease agreements. Related lease expense of approximately \$176,000 and \$162,000 was recognized during 2018 and 2017, respectively. Future minimum lease payments at December 31, 2018 are due as follows:

2019	\$ 138,973
2020	142,055
2021	143,083
2022	38,740
2023	<u>2,639</u>
Total	<u>\$ 465,490</u>

In January 2019, KCM entered into a lease agreement for resale space with a term of 5 years requiring payments of approximately \$158,000 for each year.

## NOTE 10 – IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following:

	<u>2018</u>	<u>2017</u>
Food Pantry	\$ 1,938,636	\$ 1,698,352
Resale Shop inventory	832,259	691,788
Direct assistance food/clothing	33,648	42,043
Other	<u>5,739</u>	<u>15,580</u>
Total	<u>\$ 2,810,282</u>	<u>\$ 2,447,763</u>

## NOTE 11 – CONTRIBUTION CONCENTRATION

Contributions from two donors totaled approximately \$880,000 or 55% and \$730,000 or 47% at December 31, 2018 and 2017, respectively.

## NOTE 12 – HURRICANE HARVEY

In 2017, as a result of Hurricane Harvey, KCM received business interruption insurance proceeds of \$45,401 and recognized a loss of \$17,953 on disposal of damaged furniture and equipment.

## NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 20, 2019, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events other than as disclosed in Note 9, were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.