

# the **HUMAN IMPACT**

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## THE HUMAN IMPACT

Financial Statements Together with  
Independent Auditor's Report

March 31, 2024

**THE HUMAN IMPACT**  
**Financial Statements**  
**March 31, 2024**

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**ISHAM & RAMIREZ** PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report**

To the Board of Directors  
The Human Impact  
Dallas, Texas

**Opinion**

We have audited the accompanying financial statements of The Human Impact, which comprise the statement of financial position as of March 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year 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 The Human Impact as of March 31, 2024, 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 Human Impact 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 Human Impact'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 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 Human Impact'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 Human Impact'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.

*Asham & Ramirez, PLLC*

Southlake, Texas  
January 2, 2025

**THE HUMAN IMPACT**  
**Statement of Financial Position**  
**March 31, 2024**

**Assets**

Current assets

Cash and cash equivalents	\$ 209,337
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Total current assets	209,337
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Noncurrent assets

Property and equipment

Computer equipment	1,725
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Vehicles	9,810
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Accumulated depreciation	(6,977)
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Net property and equipment	4,558
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Other Assets

Security deposit	8,665
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Operating lease right-of-use assets	272,029
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Total other assets	280,694
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Total noncurrent assets	285,252
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<b>Total Assets</b>	<b>\$ 494,589</b>
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**Liabilities & Net Assets**

Current liabilities

Current portion operating lease liability	\$ 89,646
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Accounts payable	10,579
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Total current liabilities	100,225
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Noncurrent liabilities

Operating lease liabilities, net of current portion	190,113
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<b>Total Liabilities</b>	<b>290,338</b>
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**Net Assets**

Without donor restrictions	204,251
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<b>Total Net Assets</b>	<b>204,251</b>
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<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 494,589</b>
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**THE HUMAN IMPACT**  
**Statement of Activities**  
**For the Year Ended March 31, 2024**

**Change in net assets without donor restrictions**

Revenues

Revenues without donor restrictions

Contributions	\$ 1,618,418
In-kind contributions and services	62,799
Other income	6,572

Total revenues without donor restrictions	<u>1,687,789</u>
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Expenses

Programs

Program activities	<u>1,355,823</u>
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Support services

Fundraising	275,377
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General and administrative	<u>358,724</u>
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Total support services	634,101
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Total expenses	<u>1,989,924</u>
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<b>Change in net assets without donor restrictions</b>	(302,135)
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<b>Change in total net assets</b>	(302,135)
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<b>Net assets at beginning of year</b>	<u>506,386</u>
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<b>Net assets at end of year</b>	<u><u>\$ 204,251</u></u>
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**THE HUMAN IMPACT**  
**Statement of Functional Expenses**  
**For the Year Ended March 31, 2024**

	Programs	Support Services			
	Program activities	Fundraising	General and administrative	Support services subtotal	Total
Bank fees	\$ -	\$ -	\$ 2,890	\$ 2,890	\$ 2,890
Depreciation expense	2,537	-	-	-	2,537
Dues & subscriptions	-	-	5,814	5,814	5,814
Information technology	3,867	-	3,516	3,516	7,383
Meals & entertainment	33,857	-	8,655	8,655	42,512
Occupancy	135,307	17,383	18,469	35,852	171,159
Office expense	1,161	1,611	23,010	24,621	25,782
Other	1,357	-	4,151	4,151	5,508
Payroll tax	58,633	15,102	15,103	30,205	88,838
Professional services	5,564	1,329	42,534	43,863	49,427
Salaries & benefits	912,630	233,925	233,925	467,850	1,380,480
Supplies	180,770	6,027	-	6,027	186,797
Travel	20,140	-	657	657	20,797
Total expenses	\$ 1,355,823	\$ 275,377	\$ 358,724	\$ 634,101	\$ 1,989,924
Less: cost of direct benefits to donors	-	-	-	-	-
Total expenses per statement of activities	\$ 1,355,823	\$ 275,377	\$ 358,724	\$ 634,101	\$ 1,989,924

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

**THE HUMAN IMPACT**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2024**

**Cash flows from operating activities**

Contributions, grants, and other program income	\$ 1,624,990
Cash paid for operations and programs	(1,906,243)
Net cash provided (used) by operating activities	<u>(281,253)</u>

**Net increase (decrease) in cash and cash equivalents** (281,253)

**Cash and cash equivalents at beginning of year** 490,590

**Cash and cash equivalents at end of year** \$ 209,337

**Reconciliation of change in total net assets to net cash provided (used) by operating activities**

Change in total net assets	<u>\$ (302,135)</u>
Adjustments	
Change in security deposit	(4,725)
Depreciation	3,171
Change in other assets	14,134
Change in accounts payable	<u>8,302</u>
Total adjustments	20,882

**Net cash provided (used) by operating activities** \$ (281,253)



**THE HUMAN IMPACT**  
**Notes to the Financial Statements**  
**March 31, 2024**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and nature of operations:**

The Human Impact (the “Organization”) is incorporated under the laws of the State of Texas as a not-for-profit organization and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Organization’s mission is to come alongside the chronically homeless, becoming a long-term support system in their lives by building trust, and learning how we can support them as they work towards stability in community.

The financial year end of the Organization was changed from December 31 to March 31 to better align the Organization’s financial reporting with its operating cycle and is presented using the prospective method of accounting. Accordingly, the current financial statements are prepared for the 12 months from April 1, 2023, to March 31, 2024, and as a result, comparative figures are omitted as they are not comparable.

**Programs:**

The Organization pursues its mission through the execution of the following major programs that are also the reported functional expenses of the Organization:

- Program activities:
  - Advocacy: the organization’s method of connecting with the homeless is to create friendship by guiding them and connecting them to resources, provide life plans and path plans, and help support them with accountability.
  - Assisted Housing: place and develop innovative community-based housing solutions.
- Fundraising: encouraging additional contributions and grants for the Organization and its programs.
- General and administrative: providing administrative support to the above functional areas.

**Basis of accounting:**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) of the United States of America. Revenues are recognized when earned, and expenses are recorded when incurred.

**Financial statement presentation:**

The Organization has presented its financial statements in accordance with generally accepted accounting principles (GAAP) of the United States of America, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

**THE HUMAN IMPACT**  
**Notes to the Financial Statements**  
**March 31, 2024**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Net assets without donor restrictions:**

The Organization disaggregates net assets without donor restriction into two subcategories:

- General unrestricted: Net assets that are neither subject to donor-imposed restrictions or self-imposed limits are general unrestricted.
- Internally designated: Net assets that are subject to the Organization's self-imposed limits by action of the governing board or its delegates are internally designated. These voluntary limitations allow the Organization to earmark net assets for a variety of needs that may arise. Such limits may also be lifted at any time in the future by resolution of the board or its delegates.

**Net assets with donor restriction:**

The Organization disaggregates net assets with donor restriction into two subcategories:

- Temporarily restricted: The Organization reports gifts of cash and other assets as with temporary donor restriction if they are received with donor stipulations temporarily limiting the use of the contributions and if the restrictions are not met in the period of receipt. As of March 31, 2024, the Organization has no temporarily restricted net assets.
- Permanently restricted: The Organization reports gifts of cash and other assets as with permanent donor restriction if they are received with donor stipulations permanently restricting the contribution to investment but permitting the Organization to use part or all the income derived from the investment for general or restricted purposes. As of March 31, 2024, the Organization has no permanently restricted net assets.

**Cash and cash equivalents:**

For purposes of the statement of cash flows, the Organization considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Financial instruments that potentially subject the Organization to credit risk include cash on deposit with a financial institution exceeding \$250,000 at various times during the year. The U.S. Federal Deposit Insurance Corporation insures amounts for up to \$250,000.

**Revenue recognition:**

Revenues of the Organization are primarily derived from contributions and grants from the Organization's supporters. A portion of the Organization's revenues is tied to the local economy. All contributions are considered available for the Organization's general programs unless specifically restricted by the donor.

**THE HUMAN IMPACT**  
**Notes to the Financial Statements**  
**March 31, 2024**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue recognition (continued):**

- Contributions and grants: revenue and support received without donor restrictions are reported as revenue and net assets without donor restrictions. Revenue and support received with a donor restriction that limits their use are reported as revenue and net assets with donor restrictions. When a donor restriction expires, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction. Contributions that are originally restricted by the donor and for which the restriction is met in the same reporting period are recorded as revenue and net assets without donor restriction.

Contributed merchandise and other in-kind contributions are reported as contributions at their estimated fair values when received or when an unconditional promise to give has been made.

- Conditional contributions: with or without restriction, that depend on overcoming a donor-imposed barrier to be entitled to the funds are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. This can include meeting a matching provision, incurring specified allowable expenses in accordance with a framework, or other barriers. As of March 31, 2024, the Organization has no conditional grants.
- Special Events: a portion of the gross proceeds paid by attendees at special events held as fundraising activities represents contribution revenue, whereas the other portion serves as the payment of the direct costs of the benefits received by the attendee at the event. Special event income is reported net of the direct benefit to donors. Special event revenues, other than the contributions portion, applicable to a future year are recognized as revenue in the year the special event takes place.

**Liquidity:**

The statement of financial position is classified to show subtotals for current assets and current liabilities as part of the Organization's enhanced disclosure of liquidity. The Organization anticipates using current assets and satisfying current liabilities within one year of the statement date. Current assets represent financial assets available for general expenditure within one year of the statement date. Notes are presented for both the quantitative and qualitative aspects of liquidity and the availability of financial assets.

**THE HUMAN IMPACT**  
**Notes to the Financial Statements**  
**March 31, 2024**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Compensated absences:**

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Organization's policy is to recognize these costs when actually paid.

**Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in the financial statements are depreciation, the estimated allocation of certain payroll and facility expenses to the functional areas, and the valuation of donated staff services. Depreciation is computed using management's estimate of the useful lives of the asset. The allocation of payroll and facility expenses is, based respectively, on management's estimate of staff time and roles and facility space and usage. The valuation of donated staff services is based upon a reasonable market range for an equivalent staff position's compensation.

**Allocation of expenses by function and nature:**

The costs of providing the various programs and other activities have been allocated and summarized on a functional basis in the statement of activities and on both a functional and a natural basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services, as well as the natural categories, benefited.

**Donated assets and services:**

Donated property and equipment are recorded at fair market value on the date of receipt in the appropriate investment, property, building, or equipment account. In the absence of donor restrictions, donated assets are reported as unrestricted revenue.

Contributed services are recognized as unrestricted revenues if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. Contributed services that do not meet these criteria are not recognized as revenue.

For the year ended March 31, 2024, in-kind contributions consist of donated goods and professional services valued at \$62,799. This estimate is based upon comparable market values.

A substantial number of volunteers have donated significant amounts of their time to the Organization's programs. However, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition.

**THE HUMAN IMPACT**  
**Notes to the Financial Statements**  
**March 31, 2024**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Physical properties:**

Property and equipment are recorded at acquisition cost. The Organization capitalizes assets with a cost greater than \$1,500. Betterments and renewals are capitalized. Maintenance and repairs are charged to operations when incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Furniture and equipment	3 -10 years
Vehicles	5 years

**Impairment of long-lived assets:**

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

**Income tax status:**

The Organization is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as other than a private foundation, except on net income derived from unrelated business activities. For the year ended March 31, 2024, the Organization has not conducted unrelated business activities that are material to the financial statements taken as a whole. Accordingly, no provision for income taxes is included in the financial statements. The Organization files Form 990 with the Internal Revenue Service. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to these financial statements. Tax returns of the Organization are open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

**Operating lease right-of use assets and lease liabilities**

The Organization evaluates contracts to determine which meet the criteria of an operating lease requiring capitalization. The right-of-use (ROU) asset represents the Organization's right to use the underlying asset for the lease term, and the lease liability represents the Organization's obligation to make lease payments arising from this lease. The ROU asset and lease liability arise from capitalized operating leases and are calculated based on the present value of future lease payments over the lease term. The Organization elects to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The risk-free rate applied to calculate the lease liability as of March 31, 2024, was 5.46%. *See also Leases note.*

**THE HUMAN IMPACT**  
**Notes to the Financial Statements**  
**March 31, 2024**

**NOTE 2. LEASES**

The Organization's operating lease consists of office space used for operating activities. For the year ended March 31, 2024, the lease included ROU assets of \$272,029 and lease liabilities of \$279,759. Total operating lease cost for the year ending March 31, 2024, was \$49,472 with the remaining lease term of 3.6 years.

The Organization also has a month-to-month lease for warehouse space for which neither a ROU asset nor a lease liability is included as of March 31, 2024, due to the short-term nature of the lease. The total short-term lease cost as of the year ending March 31, 2024, was \$3,744.

Future maturities of lease liabilities are presented in the following table, for the fiscal years ending March 31:

2025	\$ 89,646
2026	91,575
2027	92,700
2028	30,900
Total lease payments	304,821
Less: imputed interest	(25,062)
Present value of lease liabilities	<u>\$ 279,759</u>

**NOTE 3. IN-KIND CONTRIBUTIONS**

The Organization received the following in-kind contributions during the year ended March 31, 2024:

	<u>Program</u>	<u>General &amp; Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Donated goods:				
Meals	\$ -	\$ 476	\$ -	\$ 476
Small equipment	-	2,813	-	2,813
Supplies	52,010	-	-	52,010
Total donated goods	52,010	3,289	-	55,299
Donated services:				
Legal	-	7,500	-	7,500
Total donated services	-	7,500	-	7,500
Total donated goods and services	<u>\$ 52,010</u>	<u>\$ 10,789</u>	<u>\$ -</u>	<u>\$ 62,799</u>

Contributed administrative services are recognized at their estimated fair value based on a reasonable market range for an equivalent compensated service.

**THE HUMAN IMPACT**  
**Notes to the Financial Statements**  
**March 31, 2024**

**NOTE 4. NET ASSETS**

The summary of change in net assets for the year ending March 31, 2024, are as follows:

	<u>Net Assets Without Donor Restrictions</u>		
	<u>Unrestricted</u>	<u>Internally Designated</u>	<u>Total Net Assets</u>
Balance, March 31, 2023	505,386	1,000	506,386
Transfer to (from)	-	-	
Net Change	<u>(302,135)</u>	<u>-</u>	<u>(302,135)</u>
Balance, March 31, 2024	<u>\$ 203,251</u>	<u>\$ 1,000</u>	<u>\$ 204,251</u>

Internally designated net assets at March 31, 2024, are being held for program activities.

**NOTE 5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization's financial assets are assets available for general expenditure within one year of the statement date. Financial assets are calculated as follows: cash and cash equivalents and investments.

As part of the Organization's liquidity management, it has a strategy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. The significant qualities of this strategy include the Organization maintaining general reserves in its unrestricted general net assets and the Organization maintaining investments which would act as an operating reserve if needed to meet operating needs. In addition, the Organization is highly dependent on recurring contributions from its supporters which have remained relatively consistent year-to-year. If liquidity becomes a concern, the Organization may elect to decrease its program budget in order to eliminate excess spending.

The Organization's financial assets at March 31, 2024 are quantified as follows:

Cash and cash equivalents	\$ 209,337
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 209,337</u>

**THE HUMAN IMPACT**  
**Notes to the Financial Statements**  
**March 31, 2024**

**NOTE 6. ACTIVITIES WITH JOINT COSTS**

For the year ended March 31, 2024, the Organization incurred expenses to conduct activities that had both fundraising appeals, as well as program and management and general components (joint activities). Costs related to these joint activities include meals and entertainment, occupancy, office expense, professional fees, supplies, and travel. The Organizations costs for conducting those joint activities were allocated on the statement of functional expenses.

**NOTE 7. RELATED-PARTY TRANSACTIONS**

One member of the Organization's Board of Directors is also a partner of a law firm that donated in-kind services. For the year ending March 31, 2024, the Organization recognized contributed in-kind legal services from this firm of approximately \$7,500.

A member of the Board of Directors is an executive with a firm that provided housing for individuals the Organization serves costing approximately \$23,094.

One member of the Board of Directors owns a restaurant and provided meals costing approximately \$25,949.

**NOTE 8. NOTES PAYABLE**

In 2023, the Organization entered into a short-term unsecured loan agreement with a related party to bridge a gap in cash flow for operations. The loan in the amount of \$60,000 carried an interest rate of 8.5%. The loan was set to mature January 9, 2024, but was paid in full in December 2023.

**NOTE 9. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.