

CHRISTIAN COMMUNITY ACTION
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2019 AND 2018

**CHRISTIAN COMMUNITY ACTION
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YEARS ENDED JUNE 30, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Christian Community Action
Lewisville, Texas

We have audited the accompanying financial statements of Christian Community Action (the Organization), which comprise the statements of financial position as of June 30, 2019, 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 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.

Board of Directors
Christian Community Action

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christian Community Action as of June 30, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2018 financial statements of Christian Community Action were audited by other auditors whose report dated December 17, 2018, expressed an unmodified opinion on those statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Worth, Texas
November 20, 2019

**CHRISTIAN COMMUNITY ACTION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 531,421	\$ 384,515
Investments	8,298,069	7,400,883
Grants Receivable	53,140	15,291
Accounts Receivable	177,519	74,417
Accrued Interest Receivable	17,744	-
Note Receivable - Current Portion	375,000	375,000
Inventories	173,717	251,249
Prepaid Expenses	16,048	2,784
Total Current Assets	9,642,658	8,504,139
NONCURRENT ASSETS		
Note Receivable - Noncurrent Portion	562,500	937,500
Property and Equipment, Net	3,118,626	3,190,694
Total Noncurrent Assets	3,681,126	4,128,194
Total Assets	\$ 13,323,784	\$ 12,632,333
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 201,857	\$ 77,839
Payroll and Related Liabilities	51,568	52,118
Other Liabilities	25,349	7,525
Custodian Client Payables	1,081	1,081
Total Liabilities	279,855	138,563
NET ASSETS		
Total Without Donor Restrictions	12,995,203	12,463,011
Total With Donor Restrictions	48,726	30,759
Total Net Assets	13,043,929	12,493,770
Total Liabilities and Net Assets	\$ 13,323,784	\$ 12,632,333

See accompanying Notes to Financial Statements.

**CHRISTIAN COMMUNITY ACTION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 684,121	\$ 212,906	\$ 897,027
Special Event Revenue, Net of Direct Costs of \$22,884	52,174	-	52,174
Donated Goods and Services	2,417,886	-	2,417,886
Grants, Foundations, and Other	306,591	230,992	537,583
Investment Income	574,340	-	574,340
Interest Income	88,808	-	88,808
Thrift Resale Relationship Revenue	815,748	-	815,748
Net Assets Released from Restrictions	425,931	(425,931)	-
Total Revenue and Support	<u>5,365,599</u>	<u>17,967</u>	<u>5,383,566</u>
EXPENSES			
Program Services	4,078,978	-	4,078,978
Fundraising	509,088	-	509,088
Management and General	230,292	-	230,292
Total Expenses	<u>4,818,358</u>	<u>-</u>	<u>4,818,358</u>
CHANGE IN NET ASSETS	547,241	17,967	565,208
OTHER CHANGES IN NET ASSETS			
Loss on Disposal of Assets	<u>(15,049)</u>	<u>-</u>	<u>(15,049)</u>
TOTAL CHANGE IN NET ASSETS	532,192	17,967	550,159
Net Assets - Beginning of Year	<u>12,463,011</u>	<u>30,759</u>	<u>12,493,770</u>
NET ASSETS - END OF YEAR	<u>\$ 12,995,203</u>	<u>\$ 48,726</u>	<u>\$ 13,043,929</u>

See accompanying Notes to Financial Statements.

**CHRISTIAN COMMUNITY ACTION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 911,821	\$ 157,768	\$ 1,069,589
Donated Goods and Services	2,274,240	-	2,274,240
Grants, Foundations, and Other	94,722	578,285	673,007
Investment Income	58,309	-	58,309
Interest Income	65,349	-	65,349
Thrift Resale Relationship Revenue	480,482	-	480,482
Net Assets Released from Restrictions	1,022,118	(1,022,118)	-
Total Revenue and Support	<u>4,907,041</u>	<u>(286,065)</u>	<u>4,620,976</u>
EXPENSES			
Program Services	4,098,191	-	4,098,191
Fundraising	776,109	-	776,109
Management and General	109,847	-	109,847
Total Expenses	<u>4,984,147</u>	<u>-</u>	<u>4,984,147</u>
CHANGE IN NET ASSETS BEFORE DISCONTINUED OPERATIONS			
	(77,106)	(286,065)	(363,171)
DISCONTINUED OPERATIONS			
Gain from Sale of Assets and Inventory, Net	2,672,412	-	2,672,412
Change in Net Assets from Operations of ReSale	72,029	-	72,029
Total Discontinued Operations	<u>2,744,441</u>	<u>-</u>	<u>2,744,441</u>
CHANGE IN NET ASSETS			
	2,667,335	(286,065)	2,381,270
Net Assets - Beginning of Year	<u>9,795,676</u>	<u>316,824</u>	<u>10,112,500</u>
NET ASSETS - END OF YEAR	<u>\$ 12,463,011</u>	<u>\$ 30,759</u>	<u>\$ 12,493,770</u>

See accompanying Notes to Financial Statements.

**CHRISTIAN COMMUNITY ACTION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	Family Services	Direct Family Assistance	Distributed Goods and Services	Total Program Services	Fundraising	Management and General	Total Supporting Expenses	Total
DIRECT FAMILY ASSISTANCE								
Client Housing	\$ -	\$ 245,975	\$ -	\$ 245,975	\$ -	\$ -	\$ -	\$ 245,975
Client Utilities	-	87,668	-	87,668	-	-	-	87,668
Food Purchase	-	96,833	-	96,833	-	-	-	96,833
Other Direct Family Assistance	-	104,397	-	104,397	-	-	-	104,397
Total Direct Family Assistance	-	534,873	-	534,873	-	-	-	534,873
OPERATING EXPENSES								
Salaries and Wages	557,415	-	-	557,415	266,020	96,776	362,796	920,211
Payroll Taxes and Benefits	150,344	-	-	150,344	68,354	10,760	79,114	229,458
Depreciation	109,908	-	-	109,908	12,552	23,952	36,504	146,412
Professional Services	100	-	-	100	44,607	53,491	98,098	98,198
Information Technology	106,425	-	-	106,425	19,631	5,168	24,799	131,224
Insurance	46,776	-	-	46,776	5,790	5,804	11,594	58,370
Facilities Expenses	91,302	-	-	91,302	10,460	21,433	31,893	123,195
Office Expenses	40,641	-	-	40,641	25,040	12,908	37,948	78,589
Marketing and Advertising	1,566	-	-	1,566	79,518	-	79,518	81,084
Total Operating Expenses	1,104,477	-	-	1,104,477	531,972	230,292	762,264	1,866,741
DISTRIBUTED GOODS AND SERVICES								
Food	-	-	1,612,856	1,612,856	-	-	-	1,612,856
Share Our Surplus	-	-	576,144	576,144	-	-	-	576,144
Toys	-	-	108,865	108,865	-	-	-	108,865
Clothing School Supplies & Backpacks	-	-	100,856	100,856	-	-	-	100,856
Volunteer Time	-	-	29,007	29,007	-	-	-	29,007
Other Distributed Goods and Services	-	-	11,900	11,900	-	-	-	11,900
Total Distributed Goods and Services	-	-	2,439,628	2,439,628	-	-	-	2,439,628
Direct Costs Netted Against Special Events Revenues in the Statement of Activities	-	-	-	-	(22,884)	-	(22,884)	(22,884)
Total Functional Expenses	<u>\$ 1,104,477</u>	<u>\$ 534,873</u>	<u>\$ 2,439,628</u>	<u>\$ 4,078,978</u>	<u>\$ 509,088</u>	<u>\$ 230,292</u>	<u>\$ 739,380</u>	<u>\$ 4,818,358</u>

See accompanying Notes to Financial Statements.

**CHRISTIAN COMMUNITY ACTION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

	Program Services	Fundraising	Management and General	Total
DIRECT SUPPORT				
Permanent Housing	\$ 280,292	\$ -	\$ -	\$ 280,292
Senior Program Expense	10,578	-	-	10,578
Utilities (Includes Government Grants)	74,341	-	-	74,341
Food Purchased and In-Kind	1,753,205	-	-	1,753,205
Direct Goods and Services	548,677	-	-	548,677
Clothing and Household Items	89,812	-	-	89,812
Transportation	14,202	-	-	14,202
Miscellaneous	62	-	-	62
Education	3,724	-	-	3,724
Total Direct Support	<u>2,774,893</u>	<u>-</u>	<u>-</u>	<u>2,774,893</u>
OPERATING EXPENSES				
Compensation and Benefits	1,010,041	465,889	68,880	1,544,810
Communications	16,091	11,893	2,923	30,907
Occupancy and Equipment Cost	176,530	40,277	21,921	238,728
Promotional Costs	15,951	133,774	223	149,948
Professional Services and Other Expenses	96,234	122,759	14,358	233,351
Donated Goods and Services	1,181	213	216	1,610
Interest Expense	7,270	1,304	1,326	9,900
Total Operating Expenses	<u>1,323,298</u>	<u>776,109</u>	<u>109,847</u>	<u>2,209,254</u>
Total Functional Expenses	<u>\$ 4,098,191</u>	<u>\$ 776,109</u>	<u>\$ 109,847</u>	<u>\$ 4,984,147</u>

See accompanying Notes to Financial Statements.

**CHRISTIAN COMMUNITY ACTION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 550,159	\$ 2,381,270
Change in Net Assets from Discontinued Operations	-	2,744,441
Change in Net Assets from Continuing Operations	<u>550,159</u>	<u>(363,171)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	146,412	145,544
Loss on Dispositions of Fixed Assets	5,049	-
Net Realized and Unrealized (Gain) Loss on Investments	(319,853)	2,775
Inventories	77,532	(16,816)
Changes in Operating Assets and Liabilities:		
Grants Receivable	(37,849)	(18,460)
Accounts Receivable	(103,102)	-
Accrued Interest Receivable	(17,744)	-
Prepaid Expenses	(13,264)	43,395
Accounts Payable and Accrued Expenses	124,018	(29,963)
Accrued Liabilities	<u>17,274</u>	<u>(111,571)</u>
Net Cash Provided (Used) by Operating Activities of Continuing Operations	428,632	(348,267)
Net Cash Used by Operating Activities of Discontinued Operations	-	(102,072)
Net Cash Provided (Used) by Operating Activities	<u>428,632</u>	<u>(450,339)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(27,411)	(78,047)
In-Kind Donations of Property and Equipment	(51,982)	-
Proceeds from Sale of Investments	1,975,862	-
Purchases of Investments	(2,553,195)	(7,403,658)
Principal for Loan Issued for Sale of Fixed Assets	375,000	187,500
Change in Cash Restricted for Purchase of Property and Equipment	<u>-</u>	<u>15,646</u>
Net Cash Used by Investing Activities of Continuing Operations	(281,726)	(7,278,559)
Net Cash Provided by Investing Activities of Discontinued Operations	-	8,850,000
Net Cash Provided (Used) by Investing Activities	<u>(281,726)</u>	<u>1,571,441</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Cash Used by Financing Activities of Discontinued Operations	-	(1,339,162)
Net Cash Used by Financing Activities	<u>-</u>	<u>(1,339,162)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	146,906	(218,060)
Cash and Cash Equivalents - Beginning of Year	<u>384,515</u>	<u>602,575</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 531,421</u>	<u>\$ 384,515</u>
	<u>2019</u>	<u>2018</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	<u>\$ -</u>	<u>\$ 33,034</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES		
Donated Goods Received	<u>\$ 2,389,030</u>	<u>\$ 2,205,180</u>

See accompanying Notes to Financial Statements.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 ORGANIZATION AND OPERATIONS

The Christian Community Action (the Organization) was formed in 1973 in Lewisville, Texas. The Organization is a faith-based nonprofit agency dedicated to providing help to lower income families by providing them with a wide range of programs and services that address their needs. Current programs include housing, financial assistance, food distribution, life-skills training, ESL classes, socialization services for elderly independent low income people, and job placement. The Organization receives cash donations from individuals, local churches, special events, and grants from private corporations, foundations, and federal, state, and local governments and funding through an agreement for the collection of donated items in the Organization's service area.

During November 2017, the Organization entered into an asset purchase agreement (the Agreement) with Recycle 2 Support (R2S) for the sale of assets and inventory related to resale operations owned and operated by the Organization. R2S operates Thrift Giant resale stores. As a result of receiving donated items for the benefit of the Organization, R2S will provide continued funding to the Organization. Prior to the sale, the Organization used proceeds from the resale operations for funding of programs and services. See Note 4 for further information related to the sale of resale operations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (continued)

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers any short-term investment convertible to cash within three months or less with little or no change in the principal amount to be a cash equivalent.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets reflected on the statement of activities.

U.S. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. The three levels of fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)

Level 3 – Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to the Organization's needs.

As of June 30, 2019 and 2018, the Organization was able to utilize Level 1 and 2 inputs for all significant investments.

Accounts Receivable

Accounts receivable are stated at net realizable value. The Organization considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. The Organization utilizes the allowance method for recognition of bad debts. The Organization has not incurred any bad debt expense for the years ended June 30, 2019 and 2018.

Note Receivable

Note receivable is carried at unpaid principal balances, less any allowance for loan losses. The allowance for loan losses is increased by charges to the change in net assets and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Organization's past loan loss experience, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The Organization's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons.

Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Inventories

The Organization holds inventory which consists of housewares, clothing, food, etc. These items are obtained primarily from donations but also from purchases at discounted prices. The value of the inventory is based on historical averages which have been derived from retail sale prices of items in the various categories.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost, or estimated fair value if donated at the date the equipment is donated, less accumulated depreciation and amortization. The Organization capitalizes such assets with a cost exceeding \$1,000 and useful life of one year or more. Maintenance, repairs, and replacement, which do not improve or extend the lives of the respective assets, are expensed when incurred. When property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed, and any gain or loss is included in income. Interest incurred to finance assets under construction is capitalized as construction cost until the assets are placed in service.

Property and Equipment (Continued)

Depreciation and amortization is provided for over the estimated useful lives of the assets using the straight-line method as follows:

Buildings and Improvements	25 to 40 Years
Furniture and Equipment	3 to 5 Years
Software	5 to 10 Years
Vehicles	5 Years

Revenue Recognition

Contributions – Contributions are recognized when received or a donor makes a pledge to give to the Organization that is, in substance, unconditional. Unconditional promises to give expected to be collected within one year, are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their net realizable value, using interest rates applicable to the years in which the promises are to be received and adjusted for the credit risk of the donor based on management assessment. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions (primarily restrictions as to purpose and/or time) are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Donated Goods and Services – Donated goods are recognized as revenue at their estimated fair value during the period received. Donated services are recognized as revenue at their estimated fair value, if both of the following criteria are met: the services require special skills and the services are provided by individuals possessing those skills; and the services would typically need to be purchased, if not donated. Although the Organization may utilize the services of outside volunteers, the fair value of these services have not been recognized in the accompanying financial statements since they do not meet the criteria for recognition under U.S. GAAP.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Grants – Grants are recognized at fair value, as revenue, when received or unconditionally promised and collection is deemed to be reasonably certain. The Organization reports grants as net assets with donor restrictions if such gifts are received with donor stipulations that limit the use of the donated assets, unless there are written agreement which supersede those stipulations. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Thrift Resale Relationship Revenue – Pursuant to the Agreement with R2S, the Organization will receive funding for goods donated by individuals to R2S's resale stores. Per the Agreement, the Organization will receive funding from R2S for each pound of non-furniture items donated and a percentage of the revenue for furniture sales in the Organization's operating area. Donation revenue is recognized during the month that R2S receives and reports the donated goods from individuals for all non-furniture items. Donation revenue for furniture items is recognized during the month that R2S sells and reports the donated furniture. When the donation revenue is recorded, the Organization will record a receivable from R2S. Cash is received in the month subsequent to the recording of revenue. This revenue also includes rental income from R2S for facilities that were not previously purchased.

Concentration of Credit Risk

Financial instruments which are potentially subject to risk consist primarily of cash and investments. Financial instruments potentially subjecting the Organization to concentrations of credit risk consist primarily of operating cash and investment balances at financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) insurance thresholds, cash held in money market accounts in excess of the amounts insured by the U.S. treasury insurance for money market funds, and various debt and equity instruments in excess of Securities Investor Protection Corporation (SIPC) insurance limits. The Organization has not experienced any credit losses in such accounts in the past.

Income Taxes

The Organization is a nonprofit entity exempt from federal income taxes under Internal Revenue Code Section 501(c)(3); therefore, no provision for federal income taxes has been included in the financial statements. Taxes are paid on net income earned from sources unrelated to the exempt purposes. There was no net income from unrelated business for the years ended June 30, 2019 and 2018.

The Organization files as a tax-exempt organization. Its tax returns are subject to review and examination by federal and state authorities. Tax returns are open for audit by these authorities for three years from the due date of the return of the date actually filed.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Costs directly associated with the programs and services have been allocated accordingly except for the allocation of functional expenses.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

The Organization expenses advertising costs as they are incurred. Total advertising costs charged to general and administrative expenses were approximately \$34,135 and \$149,948 for the years ended June 30, 2019 and 2018, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Guidance

In August 18, 2016, FASB issued Accounting Standard Update (ASU) 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent Events

Management evaluated subsequent events through November 20, 2019, which is the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2018 financial statement information to conform to the current year presentation. These reclassifications had no effect on the change in net assets for 2018.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 3 LIQUIDITY AND AVAILABILITY

CCA applies the following practices to manage liquid assets and ensure ability to satisfy operating expenses planned for years ended June 30, 2019 and 2018:

1. The board of directors approves the annual operating plan, including expected revenues, program costs, and operating expenses.
2. The board of directors designates net assets based on historical fluctuations and risk of revenue collection. The amount of reserve approximates three months of expenses.
3. The board of directors approved an investment policy. Investment funds are managed by a licensed investment advisor. The policy specifies asset allocation guidelines. 35% to 45% of investments are in low risk asset categories. This amounts to approximately \$3.3 million which significantly exceeds the reserve policy.
4. The Board of Directors approved an investment policy. Investment funds are managed by a licensed investment advisor. The policy specifies asset allocation guidelines. 30% to 40% of investments are in low risk asset categories. This amounts to approximately \$2.9 million which significantly exceeds the Board Designated reserve policy amount of \$600 thousand.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2019	2018
Cash and Cash Equivalents	\$ 531,421	\$ 384,515
Investments	8,298,069	7,400,883
Accounts Receivable	53,140	15,291
Note Receivable - Current Portion	375,000	375,000
Total Liquid Assets	9,257,630	8,175,689
Purpose Restricted	(48,726)	(30,759)
Board Designated - Operating Reserve	(600,000)	(600,000)
Financial Assets Available	\$ 8,608,904	\$ 7,544,930

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 4 NOTE RECEIVABLE

As discussed in Note 1, during November of 2017, the Organization entered into the Agreement with R2S for the sale of assets and inventories related to the resale operations owned and operated by the Organization. As a condition of the Agreement, R2S executed a note payable to the Organization for \$1,500,000. The note bears interest at a rate of eight percent (8.0%) per annum, payable in monthly principal payments of \$31,250 beginning on January 1, 2018, and maturing on December 1, 2021. The note is guaranteed by Matt Kloeber in his individual capacity and by Boisk, Inc., secured by a lien on all tangible and personal property used in the business as conducted by R2S or any Affiliate. As of June 30, 2019, the outstanding balance of the note was \$937,500. The Organization determined that no estimated credit loss would be required as the note is secured by the assets transferred as part of the Agreement.

The remaining annual principal payments due under the note as of June 30, 2019, are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2020	\$ 375,000
2021	375,000
2022	187,500
Total	<u><u>\$ 937,500</u></u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 326,619	\$ 326,619
Buildings and Improvements	5,172,404	5,147,692
Furniture and Equipment	362,665	560,169
Software	158,292	158,292
Vehicles	53,289	53,289
Subtotal	<u>6,073,269</u>	<u>6,246,061</u>
Less: Accumulated Depreciation	<u>(2,954,643)</u>	<u>(3,055,367)</u>
Total Property and Equipment	<u><u>\$ 3,118,626</u></u>	<u><u>\$ 3,190,694</u></u>

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 totaled \$146,412 and \$145,544, respectively.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 6 LONG-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

FASB ASC No. 820-10, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consists of other investments and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

When available, the Organization measures fair value using Level 1 and Level 2 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are not used by the Organization.

Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the statement of activities. Long-term investments consist of the following at June 30, 2019:

	2019		
	Fair Value	Cost	Cumulative Unrealized Appreciation (Depreciation)
Money Market Accounts	\$ 324,100	\$ 324,100	\$ -
Equities	3,425,086	3,284,963	140,123
Mutual Funds	1,719,164	1,565,075	154,089
Fixed Income Securities	2,829,719	2,813,465	16,254
Total Investments	<u>\$ 8,298,069</u>	<u>\$ 7,987,603</u>	<u>\$ 310,466</u>

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 6 INVESTMENTS (CONTINUED)

Long-term investments consist of the following at June 30, 2018:

	2018		Cumulative Unrealized Appreciation (Depreciation)
	Fair Value	Cost	
Money Market Accounts	\$ 201,690	\$ 201,690	\$ -
Equities	3,075,715	3,094,379	(18,664)
Mutual Funds	1,559,965	1,531,346	28,618
Fixed Income Securities	2,563,513	2,564,775	(14,810)
Total Investments	<u>\$ 7,400,883</u>	<u>\$ 7,392,190</u>	<u>\$ (4,856)</u>

Investments measured at fair market value on a recurring basis were classified as follows as of June 30, 2019:

	2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and Money Market				
Accounts	\$ 324,100	\$ -	\$ -	\$ 292,850
Equities	3,425,086	-	-	3,425,086
Mutual Funds	1,719,164	-	-	1,719,164
Fixed Income Securities	-	2,829,719	-	2,829,719
Total	<u>\$ 5,468,350</u>	<u>\$ 2,829,719</u>	<u>\$ -</u>	<u>\$ 8,298,069</u>

Investments measured at fair market value on a recurring basis were classified as follows as of June 30, 2018:

	2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and Money Market				
Accounts	\$ 201,690	\$ -	\$ -	\$ 201,690
Equities	3,075,715	-	-	3,075,715
Mutual Funds	1,559,965	-	-	1,559,965
Fixed Income Securities	-	2,563,513	-	2,563,513
Total	<u>\$ 4,837,370</u>	<u>\$ 2,563,513</u>	<u>\$ -</u>	<u>\$ 7,400,883</u>

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
Net Assets Without Donor Restrictions:		
Undesignated	\$ 12,343,221	\$ 11,863,011
Board Designated - Operating Reserve	<u>600,000</u>	<u>600,000</u>
Total Net Assets Without Donor Restrictions:	<u>12,943,221</u>	<u>12,463,011</u>
Subject to Expenditure for Specific Purpose:		
Family Assistance	\$ 48,726	\$ 21,440
Seasonal Programs	-	4,659
Other Direct Support	<u>-</u>	<u>4,660</u>
Total Net Assets Subject to Expenditure for Specific Purpose	<u>48,726</u>	<u>30,759</u>
Total Net Assets	<u>12,991,947</u>	<u>12,493,770</u>

NOTE 8 COMMITMENTS

The Organization leased a building under a noncancelable operating lease. The lease commenced on October 1, 2010, and expired December 31, 2017. The lease agreement included two consecutive optional terms for five years each, which were not executed. Total rent expense was \$- and \$134,922 during the years ended June 30, 2019 and 2018, respectively.

NOTE 9 DISCONTINUED OPERATIONS

As discussed in Note 1, during November of 2017, the Organization executed the Agreement with R2S for the sale of assets and inventories related to the resale operations owned and operated by the Organization. As a condition of the Agreement, R2S agreed to pay the Organization \$10,350,000. The Organization received cash in the amount of \$8,850,000 and issued a seller note for \$1,500,000 (see Note 4).

In addition to \$10,350,000, the Agreement outlined future payments of proceeds related to the collection of donated items in the Organization's service area, as defined in the Agreement. The Organization recognizes revenues through this part of the Agreement as donated items are received by R2S.

The decision of the Organization to discontinue operations of the resale and donation centers by entering into the Agreement with R2S enables the Organization to maintain reliable and sustainable liquidity and revenues to support its program services. The Organization is precluded from reentering resale operations, per the Agreement.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 9 DISCONTINUED OPERATIONS (CONTINUED)

A summary of the results of operations of the discontinued operations for the year ended June 30, 2018 is as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Revenue - Resale Merchandise	\$ 2,211,164	\$ -	\$ 2,211,164
Expenses - Resale Operations	(2,139,135)	-	(2,139,135)
Gain on Sale of Assets and Inventories	3,172,254	-	3,172,254
Expenses - R2S Transaction	(499,842)	-	(499,842)
Change in Net Assets	<u>\$ 2,744,441</u>	<u>\$ -</u>	<u>\$ 2,744,441</u>

NOTE 10 RETIREMENT PLAN

The Organization has adopted a retirement arrangement under Section 403(b) of the Internal Revenue Code of 1986, as amended. Under the plan, participating employees may contribute a portion of their compensation, pretax or after-tax, limited by an annual deferral limit prescribed by the IRC. The Organization contributes 3.0% of eligible employees' wages plus matches the employee contributions, up to 2.0% of wages. The Organization's contributions are subject to a vesting schedule which entitles the employee to a percentage of the contributions depending on the years of service. For the years ended June 30, 2019 and 2018, the Organization contributed to this retirement plan \$15,859 and \$78,638, respectively.

NOTE 11 RELATED PARTY TRANSACTIONS

Total contributions made to the Organization from the board of directors and other related parties amounted to \$24,637 and \$32,905 as of June 30, 2019 and 2018, respectively. All contributions were in the form of cash donations by the related parties.

NOTE 12 IN-KIND CONTRIBUTIONS OF GOODS AND PROFESSIONAL SERVICES

The Organization received the following contributions of goods and professional services for the years ended June 30:

	2019	2018
Family Assistance	\$ 2,377	\$ 1,080
Pantry	2,155,736	1,988,464
Back to School	27,371	46,184
Christmas Toys	104,117	90,235
Kids Eat Free	87,529	69,417
Senior Monday	11,900	9,800
Services	28,856	69,060
Total	<u>\$ 2,417,886</u>	<u>\$ 2,274,240</u>

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents on the statements of financial position are without donor restrictions and with donor restrictions as follows at June 30:

	<u>2019</u>	<u>2018</u>
Without Donor Restrictions	\$ 482,695	\$ 353,756
With Donor Restrictions	48,726	30,759
Total Cash and Cash Equivalents	<u>\$ 531,421</u>	<u>\$ 384,515</u>

NOTE 14 CONCENTRATIONS OF CONTRIBUTIONS

Two donors contributed approximately 91% of total government grants for the year ended June 30, 2019. There were no such concentrations for the year ended June 30, 2018.

NOTE 15 LEASES

The Organization leases office space to tenants under non-cancellable operating leases. The following is a schedule by year of future minimum rentals under the leases at June 30, 2019:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 137,160
2021	137,160
2022	137,160
2023	57,150
	<u>\$ 468,630</u>

NOTE 16 FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. These expenses are allocated to functional categories by first allocating costs which are for a specific function or activity directly to that program activity category. Indirect costs are charged to their natural category of expense and then are allocated based on a reasonable basis. The Organization applied a best estimate of time and effort to allocate payroll and related cost amongst functional categories. Other indirect costs were allocated in alignment with the time and effort rates of allocation determined for the payroll and related costs.