

CHRISTIAN COMMUNITY ACTION
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2020 AND 2019

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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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows 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 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.

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, 2020 and 2019, 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.

Report on Supplementary Information

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Financial Position by Fund and the Statement of Activities by Fund schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Worth, Texas
October 7, 2020

**CHRISTIAN COMMUNITY ACTION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,056,917	\$ 531,421
Investments	8,669,404	8,298,069
Grants Receivable	-	53,140
Accounts Receivable	70,645	177,519
Accrued Interest Receivable	16,552	17,744
Note Receivable - Current Portion	375,000	375,000
Inventories	292,899	173,717
Prepaid Expenses	27,007	16,048
Total Current Assets	10,508,424	9,642,658
NONCURRENT ASSETS		
Note Receivable - Noncurrent Portion	187,500	562,500
Property and Equipment, Net	3,000,754	3,118,626
Total Noncurrent Assets	3,188,254	3,681,126
Total Assets	\$ 13,696,678	\$ 13,323,784
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 118,071	\$ 201,857
Payroll and Related Liabilities	46,869	51,568
Other Liabilities	24,444	25,349
Custodian Client Payables	1,081	1,081
Notes Payable	196,000	-
Total Liabilities	386,465	279,855
NET ASSETS		
Total Without Donor Restrictions	13,220,581	12,995,203
Total With Donor Restrictions	89,632	48,726
Total Net Assets	13,310,213	13,043,929
Total Liabilities and Net Assets	\$ 13,696,678	\$ 13,323,784

See accompanying Notes to Financial Statements.

**CHRISTIAN COMMUNITY ACTION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 920,316	\$ 198,282	\$ 1,118,598
Special Event Revenue, Net of Direct Costs of \$7,175	39,070	-	39,070
Donated Goods and Services	2,842,022	-	2,842,022
Grants, Foundations, and Other	188,469	504,120	692,589
Investment Income	154,204	-	154,204
Interest Income	58,875	-	58,875
Thrift Resale Relationship Revenue	766,733	-	766,733
Net Assets Released from Restrictions	661,496	(661,496)	-
Total Revenue and Support	<u>5,631,185</u>	<u>40,906</u>	<u>5,672,091</u>
EXPENSES			
Program Services	4,715,368	-	4,715,368
Fundraising	489,358	-	489,358
Management and General	201,081	-	201,081
Total Expenses	<u>5,405,807</u>	<u>-</u>	<u>5,405,807</u>
CHANGE IN NET ASSETS	225,378	40,906	266,284
OTHER CHANGES IN NET ASSETS			
Loss on Disposal of Assets	-	-	-
TOTAL CHANGE IN NET ASSETS	225,378	40,906	266,284
Net Assets - Beginning of Year	<u>12,995,203</u>	<u>48,726</u>	<u>13,043,929</u>
NET ASSETS - END OF YEAR	<u><u>\$ 13,220,581</u></u>	<u><u>\$ 89,632</u></u>	<u><u>\$ 13,310,213</u></u>

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 FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	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	\$ -	\$ 488,358	\$ -	\$ 488,358	\$ -	\$ -	\$ -	\$ 488,358
Client Utilities	-	93,591	-	93,591	-	-	-	93,591
Food Purchase	-	126,335	-	126,335	-	-	-	126,335
Other Direct Family Assistance	-	107,376	-	107,376	-	-	-	107,376
Total Direct Family Assistance	-	815,660	-	815,660	-	-	-	815,660
OPERATING EXPENSES								
Salaries and Wages	630,198	-	-	630,198	225,943	72,337	298,280	928,478
Payroll Taxes and Benefits	165,809	-	-	165,809	47,509	11,792	59,301	225,110
Depreciation	108,066	-	-	108,066	11,960	27,400	39,360	147,426
Professional Services	35,825	-	-	35,825	80,480	37,677	118,157	153,982
Information Technology	28,291	-	-	28,291	12,651	31,802	44,453	72,744
Insurance	52,659	-	-	52,659	6,400	6,400	12,800	65,459
Facilities Expenses	94,899	-	-	94,899	8,862	8,862	17,724	112,623
Office Expenses	61,830	-	-	61,830	42,267	3,928	46,195	108,025
Marketing and Advertising	3,546	-	-	3,546	53,286	883	54,169	57,715
Total Operating Expenses	1,181,123	-	-	1,181,123	489,358	201,081	690,439	1,871,562
DISTRIBUTED GOODS AND SERVICES								
Food	-	-	1,924,917	1,924,917	-	-	-	1,924,917
Share Our Surplus	-	-	627,228	627,228	-	-	-	627,228
Toys	-	-	111,708	111,708	-	-	-	111,708
Clothing School Supplies & Backpacks	-	-	36,421	36,421	-	-	-	36,421
Volunteer Time	-	-	18,311	18,311	-	-	-	18,311
Other Distributed Goods and Services	-	-	-	-	-	-	-	-
Total Distributed Goods and Services	-	-	2,718,585	2,718,585	-	-	-	2,718,585
Total Functional Expenses	\$ 1,181,123	\$ 815,660	\$ 2,718,585	\$ 4,715,368	\$ 489,358	\$ 201,081	\$ 690,439	\$ 5,405,807

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	\$ 1,104,477	\$ 534,873	\$ 2,439,628	\$ 4,078,978	\$ 509,088	\$ 230,292	\$ 739,380	\$ 4,818,358

See accompanying Notes to Financial Statements.

**CHRISTIAN COMMUNITY ACTION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 266,284	\$ 550,159
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	147,426	146,412
Loss on Sale of Assets	-	5,049
Net Realized and Unrealized (Gain) Loss on Investments	308,402	(319,853)
Inventories	(119,182)	77,532
Changes in Operating Assets and Liabilities:		
Grants Receivable	53,140	(37,849)
Accounts Receivable	106,874	(103,102)
Accrued Interest Receivable	1,192	(17,744)
Prepaid Expenses	(10,959)	(13,264)
Accounts Payable and Accrued Expenses	(83,786)	124,018
Accrued Liabilities	(5,604)	17,274
Net Cash Provided by Operating Activities	663,787	428,632
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(29,554)	(27,411)
In-Kind Donations of Property and Equipment	-	(51,982)
Proceeds from Sale of Investments	2,686,858	1,975,862
Purchases of Investments	(3,366,595)	(2,553,195)
Principal for Loan Issued for Sale of Fixed Assets	375,000	375,000
Net Cash Used by Investing Activities	(334,291)	(281,726)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of PPP Loan	196,000	-
Net Cash Provided by Financing Activities	196,000	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	525,496	146,906
Cash and Cash Equivalents - Beginning of Year	531,421	384,515
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,056,917	\$ 531,421
	2020	2019
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES		
Donated Goods Received	\$ 2,824,172	\$ 2,389,030
Donated Goods Distributed	\$ 2,704,990	\$ 2,466,562

See accompanying Notes to Financial Statements.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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, 2020 AND 2019**

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, 2020 AND 2019**

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, 2020 and 2019, 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, 2020 and 2019.

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, 2020 AND 2019**

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, 2020 AND 2019**

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, 2020 and 2019.

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, 2020 AND 2019**

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 \$15,593 and \$34,135 for the years ended June 30, 2020 and 2019, 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 June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The financial statements reflect the application of ASU 2018-08 for contributions received beginning January 1, 2019. The new guidance does not require prior period results to be restated. The implementation of this standard did not result in any changes to the opening balances of the combined financial statements.

Subsequent Events

Management evaluated subsequent events through October 7, 2020, which is the date the financial statements were available to be issued.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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, 2020 and 2019:

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 six months of operating 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 \$3.4 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:

	2020	2019
Cash and Cash Equivalents	\$ 1,056,917	\$ 531,421
Investments	8,669,404	8,298,069
Grants Receivable	-	53,140
Accounts Receivable	70,645	177,519
Note Receivable - Current Portion	375,000	375,000
Total Liquid Assets	<u>10,171,966</u>	<u>9,435,149</u>
Purpose Restricted	(89,632)	(48,726)
Board Designated - Operating Reserve	(1,273,500)	(600,000)
Financial Assets Available	<u>\$ 8,808,834</u>	<u>\$ 8,786,423</u>

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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, 2020, the outstanding balance of the note was \$562,500. 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, 2020, are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2021	\$ 375,000
2022	187,500
Total	<u>\$ 562,500</u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 326,619	\$ 326,619
Buildings and Improvements	5,198,750	5,172,404
Furniture and Equipment	365,873	362,665
Software	158,292	158,292
Vehicles	53,289	53,289
Subtotal	<u>6,102,823</u>	<u>6,073,269</u>
Less: Accumulated Depreciation	<u>(3,102,069)</u>	<u>(2,954,643)</u>
Total Property and Equipment	<u>\$ 3,000,754</u>	<u>\$ 3,118,626</u>

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 totaled \$147,426 and \$146,412, respectively.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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, 2020:

	2020		Cumulative Unrealized Appreciation (Depreciation)
	Fair Value	Cost	
Money Market Accounts	\$ 261,435	\$ 261,435	\$ -
Equities	3,606,515	3,719,744	(113,229)
Mutual Funds	1,877,782	1,615,359	262,423
Fixed Income Securities	2,923,672	3,072,698	(149,026)
Total Investments	\$ 8,669,404	\$ 8,669,236	\$ 168

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 6 INVESTMENTS (CONTINUED)

Long-term investments consist of the following at June 30, 2019:

	2019		Cumulative Unrealized Appreciation (Depreciation)
	Fair Value	Cost	
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>

Investments measured at fair market value on a recurring basis were classified as follows as of June 30, 2020:

	2020			Total
	Level 1	Level 2	Level 3	
Investments:				
Cash and Money Market				
Accounts	\$ 261,435	\$ -	\$ -	\$ 261,435
Equities	3,606,515	-	-	3,606,515
Mutual Funds	1,877,782	-	-	1,877,782
Fixed Income Securities	-	2,923,672	-	2,923,672
Total	<u>\$ 5,745,732</u>	<u>\$ 2,923,672</u>	<u>\$ -</u>	<u>\$ 8,669,404</u>

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

	2019			Total
	Level 1	Level 2	Level 3	
Investments:				
Cash and Money Market				
Accounts	\$ 324,100	\$ -	\$ -	\$ 324,100
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>

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Net Assets Without Donor Restrictions:		
Undesignated	\$ 11,947,081	\$ 12,395,203
Board Designated - Operating Reserve	1,273,500	600,000
Total Net Assets Without Donor Restrictions:	13,220,581	12,995,203
Subject to Expenditure for Specific Purpose:		
Family Assistance and Pantry	\$ 42,740	\$ 48,726
Seasonal Programs	46,892	-
Other Direct Support	-	-
Total Net Assets Subject to Expenditure for Specific Purpose	89,632	48,726
Total Net Assets	\$ 13,310,213	\$ 13,043,929

NOTE 8 NOTES PAYABLE

On April 23, 2020, the Organization received a loan from Independent Bank in the amount of \$196,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from April 23, 2020 to October 8, 2020, is the time that a business has to spend their PPP Loan funds. Management is confident that the Organization has satisfied the forgiveness terms for 100% forgiveness, and is actively communicating with the bank about the requirements and process for submitting the application for forgiveness.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 9 COMMITMENTS

The Organization leases machinery and equipment under non-cancelable operating lease agreements. The following are total non-cancelable lease agreements as of June 30:

Year Ending June 30,	Amount
2021	\$ 34,659
2022	33,499
2023	12,795
2024	4,803
2025	739
	\$ 86,495

NOTE 10 NOTES RECEIVABLE AND 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.

NOTE 11 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, 2020 and 2019, the Organization contributed to this retirement plan \$8,963 and \$15,859, respectively.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 RELATED PARTY TRANSACTIONS

Total contributions made to the Organization from the board of directors and other related parties amounted to \$22,290 and \$24,637 as of June 30, 2020 and 2019, respectively. All contributions were in the form of cash donations by the related parties.

NOTE 13 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:

	2020	2019
Family Assistance	\$ 2,687	\$ 2,377
Pantry	2,515,904	2,155,736
Back to School	115,549	27,371
Christmas Toys	112,479	104,117
Kids Eat Free	43,390	87,529
Senior Monday	31,068	11,900
Training	2,200	-
Special Events	895	-
Services	17,850	28,856
Total	<u>\$ 2,842,022</u>	<u>\$ 2,417,886</u>

NOTE 14 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:

	2020	2019
Without Donor Restrictions	\$ 967,285	\$ 482,695
With Donor Restrictions	89,632	48,726
Total Cash and Cash Equivalents	<u>\$ 1,056,917</u>	<u>\$ 531,421</u>

NOTE 15 CONCENTRATIONS OF CONTRIBUTIONS

Two donors contributed approximately 97% and 91% of total government grants of \$692,589 and \$537,583 for the year ended June 30, 2020 and 2019, respectively.

One donors contributed approximately 12% of total contributions of \$1,118,598 for the year ended June 30, 2020. There were no such concentrations for the year ended June 30, 2019.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 16 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, 2020:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	137,160
2022	137,160
2023	57,150
	<u>\$ 331,470</u>

NOTE 17 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.

**CHRISTIAN COMMUNITY ACTION
STATEMENT OF FINANCIAL POSITION BY FUND
JUNE 30, 2020**

ASSETS	Operating	Investment	Total
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,056,917	\$ -	\$ 1,056,917
Investments	-	8,669,404	8,669,404
Grants Receivable	-	-	-
Accounts Receivable	70,645	-	70,645
Accrued Interest Receivable	16,552	-	16,552
Note Receivable - Current Portion	-	375,000	375,000
Inventories	292,899	-	292,899
Prepaid Expenses	27,007	-	27,007
Total Current Assets	1,464,020	9,044,404	10,508,424
NONCURRENT ASSETS			
Note Receivable - Noncurrent Portion	-	187,500	187,500
Property and Equipment, Net	3,000,754	-	3,000,754
Total Noncurrent Assets	3,000,754	187,500	3,188,254
Total Assets	\$ 4,464,774	\$ 9,231,904	\$ 13,696,678
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 118,071	\$ -	\$ 118,071
Payroll and Related Liabilities	46,869	-	46,869
Other Liabilities	24,444	-	24,444
Custodian Client Payables	1,081	-	1,081
Notes Payable	196,000	-	196,000
Total Liabilities	386,465	-	386,465
NET ASSETS			
Total Without Donor Restrictions	3,988,677	9,231,904	13,220,581
Total With Donor Restrictions	89,632	-	89,632
Total Net Assets	4,078,309	9,231,904	13,310,213
Total Liabilities and Net Assets	\$ 4,464,774	\$ 9,231,904	\$ 13,696,678

**CHRISTIAN COMMUNITY ACTION
STATEMENT OF ACTIVITIES BY FUND
JUNE 30, 2020**

	<u>Operations</u>	<u>Investment</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 1,118,598	\$ -	\$ 1,118,598
Special Event Revenue, Net of Direct Costs of \$7,175	39,070	-	39,070
Donated Goods and Services	2,842,022	-	2,842,022
Grants, Foundations, and Other	692,589	-	692,589
Investment Income, Net of Fees	-	154,204	154,204
Interest Income	58,875	-	58,875
Thrift Resale Relationship Revenue	766,733	-	766,733
Contributions - To/From Investment Fund	157,869	(157,869)	-
Total Revenue and Support	<u>5,675,756</u>	<u>(3,665)</u>	<u>5,672,091</u>
EXPENSES			
Program Services	4,715,368	-	4,715,368
Fundraising	489,358	-	489,358
Management and General	201,081	-	201,081
Total Expenses	<u>5,405,807</u>	<u>-</u>	<u>5,405,807</u>
CHANGE IN NET ASSETS	269,949	(3,665)	266,284
OTHER CHANGES IN NET ASSETS			
Loss on Disposal of Assets	-	-	-
TOTAL CHANGE IN NET ASSETS	269,949	(3,665)	266,284
Net Assets - Beginning of Year	<u>3,808,360</u>	<u>9,235,569</u>	<u>13,043,929</u>
NET ASSETS - END OF YEAR	<u>\$ 4,078,309</u>	<u>\$ 9,231,904</u>	<u>\$ 13,310,213</u>