

Christian Community Action

Financial Statements
June 30, 2024 and 2023



Christian Community Action

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Independent Auditors' Report

To the Board of Directors of
Christian Community Action

Opinion

We have audited the accompanying financial statements of Christian Community Action (Organization) (a nonprofit organization) which comprise the statement of financial position as of June 30, 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 Organization as of June 30, 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 (GAAP).

Prior Period Financial Statements

The financial statements of the Organization as of and for the year ended June 30, 2023 were audited by other auditors whose report dated November 14, 2023 expressed an unmodified opinion on those financial statements

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Organization changed its method of accounting for the allowance for credit losses effective July 1, 2023 as required by the provisions of Financial Accounting Standards Board Accounting Standards Update 2016-03 *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*. Due to the nature and terms of the Organization's accounts receivable, no allowance was considered necessary. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 any conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards 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, including omissions, 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 Organization'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 Organization’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.

Report on Supplementary 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 as of June 30, 2024 and the related statement of activities by fund for the year then ended 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 was 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Limited Liability Partnership

Arlington, Texas
November 6, 2024

Christian Community Action
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 543,945	\$ 671,888
Certificates of deposit	363,952	250,000
Investments	10,480,988	10,575,315
Grants receivable	75,834	55,764
Accounts receivable	56,215	42,374
Accrued interest receivable	25,258	19,527
Inventory	377,370	350,186
Prepaid expenses	43,657	20,161
Total current assets	11,967,219	11,985,215
Noncurrent assets:		
Investments restricted for endowment	55,394	-
Property and equipment, net	2,920,618	2,861,807
Total noncurrent assets	2,976,012	2,861,807
Total assets	\$ 14,943,231	\$ 14,847,022
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 49,217	\$ 49,072
Accrued expenses	110,505	119,241
Refundable advance	63,708	57,887
Deferred revenue	53,500	20,405
Other liabilities	15,500	15,500
Total liabilities	292,430	262,105
Net assets:		
Without donor restrictions	14,454,059	14,331,039
With donor restrictions	196,742	253,878
Total net assets	14,650,801	14,584,917
Total liabilities and net assets	\$ 14,943,231	\$ 14,847,022

See notes to financial statements.

Christian Community Action
Statement of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions of financial assets	\$ 1,164,696	\$ 432,353	\$ 1,597,049
Special event revenue, net of direct costs of \$15,082	79,940	-	79,940
Contributions of nonfinancial assets	4,771,369	-	4,771,369
Grants and foundations	537,431	691,059	1,228,490
Rental income	164,239	-	164,239
Other income	13,950	-	13,950
Investment income, net	1,034,803	1,057	1,035,860
Thrift proceeds	658,984	-	658,984
Net assets released from restrictions	1,181,605	(1,181,605)	-
Total support and revenue	9,607,017	(57,136)	9,549,881
Operating expenses:			
Program services	8,008,526	-	8,008,526
Management and general	396,049	-	396,049
Fundraising	1,086,137	-	1,086,137
Total operating expenses	9,490,712	-	9,490,712
Excess of revenue and support over operating expenses	116,305	(57,136)	59,169
Non-operating income:			
Gain on sale of assets	6,715	-	6,715
Change in net assets	123,020	(57,136)	65,884
Net assets at beginning of year	14,331,039	253,878	14,584,917
Net assets at end of year	\$ 14,454,059	\$ 196,742	\$ 14,650,801

See notes to financial statements.

Christian Community Action
Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions of financial assets	\$ 1,119,061	\$ 240,774	\$ 1,359,835
Special event revenue, net of direct costs of \$260,848	376,151	-	376,151
Contributions of nonfinancial assets	4,336,160	-	4,336,160
Grants and foundations	1,218,908	684,111	1,903,019
Rental income	152,276	-	152,276
Other income	14,715	-	14,715
Investment income, net	726,157	-	726,157
Thrift proceeds	642,970	-	642,970
Net assets released from restrictions	736,010	(736,010)	-
Total support and revenue	9,322,408	188,875	9,511,283
Expenses:			
Program services	8,193,385	-	8,193,385
Management and general	340,345	-	340,345
Fundraising	984,436	-	984,436
Total expenses	9,518,166	-	9,518,166
Change in net assets	(195,758)	188,875	(6,883)
Net assets at beginning of year	14,526,797	65,003	14,591,800
Net assets at end of year	\$ 14,331,039	\$ 253,878	\$ 14,584,917

See notes to financial statements.

**Christian Community Action
Statement of Functional Expenses
Year Ended June 30, 2024**

	Program Services				Management and General	Fundraising	Total
	Rescue	Restore	Relief	Total			
Direct family assistance:							
Direct program assistance	\$ 895,147	\$ 59,525	\$ 187,983	\$ 1,142,655	\$ -	\$ -	\$ 1,142,655
Food	4,439,008	-	32,180	4,471,188	-	-	4,471,188
Professional services	-	57,911	-	57,911	-	-	57,911
Salaries	-	297,454	-	297,454	-	-	297,454
Supplies	4,398	-	218,038	222,436	-	-	222,436
Total direct family assistance	5,338,553	414,890	438,201	6,191,644	-	-	6,191,644
Operating expenses:							
Salaries and wages	1,144,833	4,572	151,840	1,301,245	190,403	930,435	2,422,083
Depreciation	137,308	990	12,874	151,172	31,266	-	182,438
Professional services	8,044	-	-	8,044	68,921	2,682	79,647
Information technology	31,821	30,540	3,959	66,320	41,464	14,734	122,518
Insurance	59,382	690	8,976	69,048	8,828	8,451	86,327
Facilities	95,224	1,175	11,904	108,303	21,853	15,307	145,463
Office supplies	77,329	6,822	18,818	102,969	25,830	49,973	178,772
Marketing and advertising	4,953	681	4,147	9,781	7,484	64,555	81,820
Special events	-	-	-	-	-	15,082	15,082
Total operating expenses	1,558,894	45,470	212,518	1,816,882	396,049	1,101,219	3,314,150
Less costs not included in expenses on the statement of activities							
Direct costs of special events	-	-	-	-	-	(15,082)	(15,082)
Total expenses included in the expenses section on the statement of activities	<u>\$ 6,897,447</u>	<u>\$ 460,360</u>	<u>\$ 650,719</u>	<u>\$ 8,008,526</u>	<u>\$ 396,049</u>	<u>\$ 1,086,137</u>	<u>\$ 9,490,712</u>

See notes to financial statements.

**Christian Community Action
Statement of Functional Expenses
Year Ended June 30, 2023**

	Program Services				Management and General	Fundraising	Total
	Rescue	Restore	Relief	Total			
Direct family assistance:							
Direct program assistance	\$ 1,629,265	\$ 23,049	\$ 190,893	\$ 1,843,207	\$ -	\$ -	\$ 1,843,207
Food	4,087,117	-	11,285	4,098,402	-	-	4,098,402
Professional services	-	33,618	-	33,618	-	-	33,618
Salaries	-	294,336	-	294,336	-	-	294,336
Supplies	-	-	255,137	255,137	-	-	255,137
Total direct family assistance	5,716,382	351,003	457,315	6,524,700	-	-	6,524,700
Operating expenses:							
Salaries and wages	1,117,545	4,506	107,540	1,229,591	151,310	751,462	2,132,363
Depreciation	100,254	947	12,316	113,517	18,763	11,842	144,122
Professional services	-	-	-	-	41,019	62,229	103,248
Information technology	33,777	410	1,173	35,360	58,697	19,625	113,682
Insurance	52,713	613	7,968	61,294	7,498	7,480	76,272
Facilities	92,602	774	10,904	104,280	25,709	14,092	144,081
Office supplies	85,714	9,074	18,593	113,381	34,174	66,211	213,766
Marketing and advertising	7,711	349	3,202	11,262	3,175	51,495	65,932
Special events	-	-	-	-	-	260,848	260,848
Total operating expenses	1,490,316	16,673	161,696	1,668,685	340,345	1,245,284	3,254,314
Less costs not included in expenses on the statement of activities							
Direct costs of special events	-	-	-	-	-	(260,848)	(260,848)
Total expenses included in the expenses section on the statement of activities	\$ 7,206,698	\$ 367,676	\$ 619,011	\$ 8,193,385	\$ 340,345	\$ 984,436	\$ 9,518,166

See notes to financial statements.

Christian Community Action
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 65,884	\$ (6,883)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	182,438	144,122
Net realized and unrealized gains on investments	(745,450)	(452,396)
Gain on sale of assets	(6,715)	-
Changes in assets and liabilities:		
Grants receivable	(20,070)	187,875
Accounts receivable	(13,841)	14,860
Accrued interest receivable	(5,731)	(4,485)
Inventory	(27,184)	90,584
Prepaid expenses	(23,496)	53,396
Accounts payable	145	10,438
Accrued expenses	(8,736)	27,135
Refundable advance	5,821	57,887
Deferred revenue	33,095	(42,070)
Net cash provided (used) by operating activities	(563,840)	80,463
Cash flows from investing activities:		
Purchases of property and equipment	(241,534)	(167,548)
Proceeds from sale of property and equipment	7,000	-
Proceeds from sale of investments	3,295,051	2,682,582
Purchases of investments	(2,510,668)	(2,940,469)
Purchases of certificates of deposit	(113,952)	(250,000)
Net cash provided (used) by investing activities	435,897	(675,435)
Net change in cash and cash equivalents	(127,943)	(594,972)
Cash and cash equivalents at beginning of year	671,888	1,266,860
Cash and cash equivalents at end of year	\$ 543,945	\$ 671,888

See notes to financial statements.

Christian Community Action

Notes to Financial Statements

1. Organization

Christian Community Action (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. The Organization also receives proceeds from the Thrift Giant resale operations of Donate 2 Impact (formerly R2S, Inc.) through an agreement for the collection of donated items in the Organization's service area.

The Organization's food distribution is primarily supported by contributions of nonfinancial assets. The cash funded programs, management and fundraising are supported primarily by grants and contributions from individuals and other organizations, investment income and proceeds from Donate 2 Impact.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Organization prepares the financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

Financial Statement Presentation

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

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net assets with donor restrictions - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy.

Christian Community Action

Notes to Financial Statements

Revenues are reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Contributions with donor restrictions whose restrictions are met in the same year the contributions are received are reported as net assets without donor restrictions.

Financial Instruments and Credit Risk Concentrations

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents, certificates of deposit, grants receivable, accounts receivable, accrued interest receivable and investments in marketable securities.

The Organization places cash and cash equivalents, which at times may exceed the federally insured limits, with high credit quality financial institutions to minimize risk. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2024, the Organization's uninsured bank balances totaled \$268,762. The Organization has not experienced any losses on such assets.

At June 30, 2024, the Organization had 93% of total grants receivable due from two donors. At June 30, 2023, 76% of grants receivable was due from one donor. At June 30, 2024 and 2023, the Organization's accounts receivable was 100% and 99%, respectively, due from one entity.

Marketable securities are subject to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of the investments will occur in the near term and such changes could materially affect the value of the Organization's portfolio.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with a maturity of three months or less when purchased. The Organization classifies money market funds held by external investment managers as investments as these funds are not readily available for operations.

Investments

Investments consist of money market funds, equities, mutual funds and fixed income securities and are stated at fair value in the statements of financial position. Interest, dividends and realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Christian Community Action

Notes to Financial Statements

Grants Receivable

Grants receivable are stated at the amount of consideration from grantors of which the Organization has an unconditional right to receive. At June 30, 2024 and 2023, grants receivable are expected to be fully collected within one year. The Organization continually evaluates the collectability of all grants receivables and maintains allowances for potential losses, if considered necessary. No allowance for doubtful accounts was considered necessary at June 30, 2024 and 2023.

Accounts Receivable

Accounts receivables consist of the contingent portion of the sale of assets due from Donate 2 Impact. Management maintains an allowance for credit losses which is estimated based upon historical account write-off trends, facts about the current financial condition of the entities, forecasts of future operating results based upon current trends and macroeconomic factors. Credit quality is monitored through the timing of payments compared to the payment terms and known facts regarding the financial condition of entities. Accounts receivable balances are charged off against the allowance for credit losses after recovery efforts have ceased. No allowance for credit losses was considered necessary as of June 30, 2024 and 2023.

Inventory

The Organization holds inventory which consists of toys, backpacks, clothing, food, etc. These items are obtained primarily from donations but also from purchases at discounted prices. The Organization values all food received at the fair market value per pound received as determined by local food banks. The fair value of donated goods such as toys and supplies are estimated by using retail prices of identical or similar products.

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 except computers purchased for individual employee use, which are expensed regardless of cost. 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.

Christian Community Action Notes to Financial Statements

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

Impairment of Long-Lived Assets

Management of the Organization periodically reviews the carrying value of its long-lived assets, including property and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized to the extent fair value of a long-lived asset is less than the carrying amount. Fair value is determined based on the estimated future cash inflows attributable to the asset less estimated future cash outflows. No such loss was recognized during the years ended June 30, 2024 and 2023.

Revenue Recognition

The Organization recognizes contributions of financial assets when cash, securities, other assets or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional promises to give that is, those with measurable performance or other barrier and a right to return are not recognized until the conditions on which they depend have been met. At June 30, 2024 and 2023, there were no unconditional contributions that had not been recognized or received by the Organization.

A portion of the Organization's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position and totaled \$63,708 and \$57,887 at June 30, 2024 and 2023, respectively. The Organization was awarded cost reimbursable grants of \$330,787 and \$141,414 that have not been recognized as revenue at June 30, 2024 and 2023, respectively, because qualifying expenditures had not yet been incurred. The Organization's costs incurred under its government grants and contracts are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not be material to the financial position or changes in net assets of the Organization.

Christian Community Action

Notes to Financial Statements

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 for services that do not meet the qualification listed above, the fair value of these services have not been recognized in the accompanying financial statements because they do not meet the criteria for recognition under GAAP.

Special events revenue is recognized when the event occurs. Amounts received in advance of the event are recorded as deferred revenue. At June 30, 2024 and 2023, deferred revenue related to special events totaled \$53,500 and \$20,405, respectively.

Leases are for periods not exceeding one year and are accounted for as operating leases with rental income recognized when earned.

Pursuant to the agreement with R2S, Inc. dba Donate 2 Impact/Thrift Giant (Donate 2 Impact), the Organization receives funding for goods donated by individuals to Donate 2 Impact's resale stores. Per the agreement, the Organization will receive funding from Donate 2 Impact for each pound of nonfurniture 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 Donate 2 Impact receives and reports the nonfurniture donated goods from individuals. Donation revenue for furniture items is recognized during the month that Donate 2 Impact sells and reports the donated furniture. When the donation revenue is recorded, the Organization records a receivable from Donate 2 Impact. Cash is received in the month subsequent to the recording of revenue.

Federal Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization had no unrelated business income for the years ended June 30, 2024 and 2023. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax return and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2024 and 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Christian Community Action

Notes to Financial Statements

Marketing and Advertising

The Organization expenses marketing and advertising costs as they are incurred. Total marketing and advertising costs totaled \$81,820 and \$65,932 for the years ended June 30, 2024 and 2023, respectively.

Allocation of Functional Expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of estimates of time and effort, and utilization of facilities.

Estimates and Assumptions

The preparation of financial statements in conformity with 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 revenues and expenses during the reporting period. Actual results could differ from those estimated.

Accounting Pronouncements Adopted

The Organization adopted ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Organization's financial statements but did change how the allowance for credit losses is determined. Due to the nature and terms of the accounts receivables, no allowance was considered necessary.

Reclassifications

Certain items in the 2023 financial statements have been reclassified to conform with the 2024 presentation, specifically refundable advances and deferred revenue on the statement of financial position and rental and other income on the statement of activities. Such reclassifications had no effect on the previously reported change in net assets.

Christian Community Action

Notes to Financial Statements

3. Investments

Fair Value Measurements

Under the Fair Value Measurements and Disclosures topic of the Codification ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date; |
| Level 2 | Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; |
| Level 3 | Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk. |

As of June 30, 2024 and 2023, the Organization's investments were measured utilizing Level 1 and Level 2 inputs.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Money Market Funds

Valued at the dollar value of funds placed and held in the account as reported by the financial institution without accrued interest which is reported separately on the statement of financial position.

Mutual Funds

Valued at the NAV of shares held by the Organization at year end. The NAV is a quoted price in an active market.

Christian Community Action Notes to Financial Statements

Equities

Equities are valued at the closing price reported on the active market on which the individual securities are traded and are classified within level 1 of the valuation hierarchy. Equities include common stock, preferred stock, stock mutual funds, exchange traded funds and index funds, including both domestic and foreign.

Fixed Income Funds

Fixed income funds consists of corporate bonds. The fair value of the corporate bonds is based on the market price quotes corroborated by recently executed transactions observable in the market.

The following table presents the Organization's investments at fair value as of June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money market	\$ 483,360	\$ -	\$ 483,360
Equities	4,416,924	-	4,416,924
Mutual funds	2,281,493	-	2,281,493
Fixed income securities	-	3,354,605	3,354,605
	<u>\$ 7,181,777</u>	<u>\$ 3,354,605</u>	<u>\$ 10,536,382</u>

The following table presents the Organization's investments at fair value as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money market	\$ 653,567	\$ -	\$ 653,567
Equities	4,416,909	-	4,416,909
Mutual funds	2,177,821	-	2,177,821
Fixed income securities	-	3,327,018	3,327,018
	<u>\$ 7,248,297</u>	<u>\$ 3,327,018</u>	<u>\$ 10,575,315</u>

Net investment income consists of the following for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 387,376	\$ 351,528
Realized gains	268,467	19,296
Unrealized gains	476,983	433,100
Fees	(96,966)	(77,767)
	<u>\$ 1,035,860</u>	<u>\$ 726,157</u>

Christian Community Action Notes to Financial Statements

4. Property and Equipment

Property and equipment consists of the following at June 30:

	2024	2023
Land	\$ 326,619	\$ 326,619
Buildings and improvements	5,258,269	5,257,169
Furniture and equipment	693,151	601,379
Software	170,597	164,547
Vehicles	184,750	53,289
	6,633,386	6,403,003
Accumulated depreciation	(3,712,768)	(3,541,196)
Property and equipment, net	\$ 2,920,618	\$ 2,861,807

Depreciation expense for the years ended June 30, 2024 and 2023 totaled \$182,438 and \$144,122, respectively.

5. Endowment Funds

The Organization's endowment fund consists of donor-restricted endowment funds established for pantry related expenses. The donor-restricted endowment funds are subject to the State of Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Relevant Law

The Organization has interpreted TUPMIFA as requiring "ordinary business care and prudence" regarding the preservation of donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with TUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration of preservation of the funds
- The purposes of the Organization and the endowment funds
- General economic conditions

Christian Community Action Notes to Financial Statements

- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The Organization’s investment policy

The changes in endowment fund net assets for the year ended June 30, 2024 are as follows:

	Accumulated gains (losses) and other	Restricted in perpetuity	Total with donor restrictions
Endowment net assets, beginning of year	\$ -	\$ -	\$ -
Contributions	-	55,394	55,394
Interest and dividends	524	-	524
Unrealized and realized gains on investments	533	-	533
Appropriation of assets for expenditure	(1,057)	-	(1,057)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 55,394</u>	<u>\$ 55,394</u>

Return Objectives and Risk Parameters

The Organization has adopted an investment policy for the current endowment assets that prioritizes preserving the funds received and fully distributes over time interest and dividends, and realized and unrealized gains on investments to support the pantry operation. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a rate of return that enables making annual distributions and provides a high degree of confidence for sustaining the initial investment for perpetuity while accepting that temporary market declines may occur. The Organization acknowledges that actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Strategies Employed for Achieving Objectives

The Organization’s approved spending policy was created to comply with the intent of the donor to contribute annually to pantry operations and preserve the initial donation. The objectives of this spending policy are to (a) generate real total return over the long term in conjunction with acceptable levels of risk, (b) decouple investment decision from immediate income needs, thus increasing investment flexibility and improving investment performance by allowing investment managers to invest for maximum total return, and (c) provide income for the Organization which is used for pantry operations.

Christian Community Action
Notes to Financial Statements

6. Contributions of Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets during the year ended June 30, 2024:

	Program	General and Administrative	Total
Goods	\$ 4,708,823	\$ -	\$ 4,708,823
Services	57,911	4,635	62,546
Total	\$ 4,766,734	\$ 4,635	\$ 4,771,369

The Organization received the following contributions of nonfinancial assets during the year ended June 30, 2023:

	Program	General and Administrative	Total
Goods	\$ 4,300,316	\$ -	\$ 4,300,316
Services	33,618	2,226	35,844
Total	\$ 4,333,934	\$ 2,226	\$ 4,336,160

Goods

Donated goods are valued at the estimated fair value based on sales prices of similar items.

Services

Contributed services are valued at the estimated fair value based on current rates for similar services.

There were no donor restrictions on the contributions of nonfinancial assets received during the years ended June 30, 2024 and 2023.

Christian Community Action Notes to Financial Statements

7. Net Assets With Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Family assistance and pantry	\$ 122,848	\$ 192,910
Seasonal programs	18,500	60,968
Restricted in perpetuity	<u>55,394</u>	<u>-</u>
	<u>\$ 196,742</u>	<u>\$ 253,878</u>

8. Net Assets Without Donor Restrictions

Net assets without donor restrictions include a board designated operating reserve fund totaling \$2,085,350 and \$1,765,983 at June 30, 2024 and 2023, respectively. The reserve is designated to help ensure long-term financial stability and position the Organization to respond to varying economic conditions and changes affecting the financial position and the ability to continuously carry out the Organization's mission as well as to have funds available.

9. Leases

The Organization has a non-cancelable operating lease for office equipment expiring in December 2028. The following schedule summarizes minimum payments required under this lease agreement for the years ending June 30:

2025	\$ 14,398
2026	14,398
2027	14,398
2028	14,398
2029	<u>6,599</u>
	<u>\$ 64,191</u>

Lease expense totaled \$17,831 and \$17,232 for the years ended June 30, 2024 and June 30, 2023, respectively.

10. Related Party Transactions

The Organization received contributions from board members, employees and other related parties during the years ended June 30, 2024 and 2023 totaling \$30,503 and \$36,701, respectively.

Christian Community Action Notes to Financial Statements

11. Retirement Plans

The Organization has adopted a retirement arrangement under Section 403(b) of the IRC 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% of eligible employees' wages plus matches the employee contributions, up to 2% 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, 2024 and 2023, the Organization's contributions to this retirement plan totaled \$57,493 and \$39,674, respectively.

12. Commitments

The Organization has noncancelable service agreements for technology and consulting services. The following is the total noncancelable service agreement payments for the years ending June 30:

2025	\$	57,270
2026		58,485
2027		<u>65,157</u>
	\$	<u><u>180,912</u></u>

13. Rental Revenue

The Organization owns the office building in which the administrative offices are located. The remaining office space is leased to a third party tenant with the lease expiring in 2027. Future minimum lease revenues required under this agreement is as follows for the years ending June 30:

2025	\$	156,431
2026		159,559
2027		<u>162,751</u>
	\$	<u><u>478,741</u></u>

Rental revenue for the years ending June 30, 2024 and 2023 totaled \$164,239 and \$152,276, respectively.

Christian Community Action
Notes to Financial Statements

14. Liquidity and Availability of Resources

The Organization’s financial assets available within one year of the statement of financial position date for general expenditures are as follows as of June 30:

	2024	2023
Cash and cash equivalents	\$ 543,945	\$ 671,888
Certificates of deposit	363,952	250,000
Investments	10,480,988	10,575,315
Grants receivable	75,834	55,764
Accounts receivable	56,215	42,374
Accrued interest receivable	25,258	19,527
	11,546,192	11,614,868
Less amounts not available for general expenditure within one year:		
Donor restricted for other purposes	141,348	253,878
Board-designated funds	2,085,350	1,765,983
	2,226,698	2,019,861
Total financial assets available to meet cash needs for general expenditures within one year	\$ 9,319,494	\$ 9,595,007

The board of directors applies the following practices to manage liquid assets and ensure ability to satisfy operating expenses planned for years ended June 30, 2024 and 2023:

- The board of directors approves the annual operating plan, including expected revenues, program costs, and operating expenses.
- 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.
- The board of directors approved an investment policy. Investment funds are managed by a licensed investment advisor. The policy specifies asset allocation guidelines with an acceptable range of 31% to 61% of investments in low-risk asset categories and a target of 46%.

15. Subsequent Events

Management has evaluated subsequent events through November 6, 2024, the date the financial statements were available to be issued and concluded that no additional disclosures are required.

Supplementary Information

Christian Community Action
Statement of Financial Position by Fund
June 30, 2024

	Operating	Investment	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 543,945	\$ -	\$ 543,945
Certificates of deposit	363,952	-	363,952
Investments	-	10,480,988	10,480,988
Grants receivable	75,834	-	75,834
Accounts receivable	56,215	-	56,215
Accrued interest receivable	25,258	-	25,258
Inventory	377,370	-	377,370
Prepaid expenses	43,657	-	43,657
Total current assets	1,486,231	10,480,988	11,967,219
Noncurrent assets:			
Investments restricted for endowment	-	55,394	55,394
Property and equipment, net	2,920,618	-	2,920,618
Total noncurrent assets	2,920,618	55,394	2,976,012
Total assets	\$ 4,406,849	\$ 10,536,382	\$ 14,943,231
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	\$ 49,217	\$ -	\$ 49,217
Accrued expenses	110,505	-	110,505
Refundable advance	63,708	-	63,708
Deferred revenue	53,500	-	53,500
Other liabilities	15,500	-	15,500
Total current liabilities	292,430	-	292,430
Net assets:			
Without donor restrictions	3,973,071	10,480,988	14,454,059
With donor restrictions	141,348	55,394	196,742
Total net assets	4,114,419	10,536,382	14,650,801
Total liabilities and net assets	\$ 4,406,849	\$ 10,536,382	\$ 14,943,231

See independent auditors' report.

Christian Community Action
Statement of Activities by Fund
Year Ended June 30, 2024

	<u>Operating</u>	<u>Investment</u>	<u>Total</u>
Support and revenue:			
Contributions of financial assets	\$ 1,541,655	\$ 55,394	\$ 1,597,049
Special event revenue, net of direct costs of \$15,082	79,940	-	79,940
Contributions of nonfinancial assets	4,771,369	-	4,771,369
Grants and foundations	1,228,490	-	1,228,490
Rental income	164,239	-	164,239
Other income	13,950	-	13,950
Investment income, net	30,187	1,005,673	1,035,860
Thrift proceeds	658,984	-	658,984
Contributions to (from) investment fund	1,100,000	(1,100,000)	-
Total support and revenue	9,588,814	(38,933)	9,549,881
Operating expenses:			
Program services	8,008,526	-	8,008,526
Management and general	396,049	-	396,049
Fundraising	1,086,137	-	1,086,137
Total operating expenses	9,490,712	-	9,490,712
Excess of revenue and support over operating expenses	98,102	(38,933)	59,169
Non-operating income:			
Gain on sale of assets	6,715	-	6,715
Change in net assets	104,817	(38,933)	65,884
Net assets at beginning of year	4,009,602	10,575,315	14,584,917
Net assets at end of year	\$ 4,114,419	\$ 10,536,382	\$ 14,650,801

See independent auditors' report.