



**Network of Community Ministries, Inc.**

**Financial Statements**  
**June 30, 2018**

# Network of Community Ministries, Inc.

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## **Independent Auditors' Report**

To the Board of Directors  
Network of Community Ministries, Inc.

We have audited the accompanying financial statements of Network of Community Ministries, Inc. which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 error or fraud.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Network of Community Ministries, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

*Sutton Frost Cary*

A Limited Liability Partnership

Arlington, Texas  
November 21, 2018

**Network of Community Ministries, Inc.**  
**Statement of Financial Position**  
**June 30, 2018**

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**Assets**

<b>Current assets:</b>	
Cash	\$ 127,002
Accounts receivable	33,000
Donated inventory	251,851
Prepaid expenses and other	<u>9,993</u>
<b>Total current assets</b>	<b>421,846</b>
Property and equipment, net	<u>349,564</u>
<b>Total assets</b>	<b><u>\$ 771,410</u></b>

**Liabilities and Net Assets**

<b>Current liabilities:</b>	
Accounts payable and accrued expenses	\$ 17,214
Accrued compensated absences	<u>7,218</u>
<b>Total current liabilities</b>	<b>24,432</b>
<b>Net assets:</b>	
Unrestricted	627,815
Temporarily restricted	<u>119,163</u>
<b>Total net assets</b>	<b><u>746,978</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 771,410</u></b>

See notes to financial statements.

**Network of Community Ministries, Inc.**  
**Statement of Activities**  
**Year Ended June 30, 2018**

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and support:</b>			
Contributions	\$ 774,689	\$ 2,855	\$ 777,544
In-kind contributions	1,628,840	-	1,628,840
Emergency Services	64,037	216,126	280,163
Adolescents' and Children's Clinic	3,505	2,000	5,505
Seniors' Net	6,298	3,000	9,298
Net assets released from restrictions	205,641	(205,641)	-
<b>Total revenue and support</b>	<b>2,683,010</b>	<b>18,340</b>	<b>2,701,350</b>
<b>Expenses:</b>			
Program services:			
Emergency Services	2,243,852	-	2,243,852
Adolescents' and Children's Clinic	75,707	-	75,707
Seniors' Net	75,619	-	75,619
<b>Total program services</b>	<b>2,395,178</b>	<b>-</b>	<b>2,395,178</b>
Management and general	152,282	-	152,282
Fundraising	131,080	-	131,080
<b>Total expenses</b>	<b>2,678,540</b>	<b>-</b>	<b>2,678,540</b>
<b>Change in net assets</b>	<b>4,470</b>	<b>18,340</b>	<b>22,810</b>
<b>Net assets at beginning of year</b>	<b>623,345</b>	<b>100,823</b>	<b>724,168</b>
<b>Net assets at end of year</b>	<b>\$ 627,815</b>	<b>\$ 119,163</b>	<b>\$ 746,978</b>

See notes to financial statements.

**Network of Community Ministries, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2018**

	Program Services				Management and General	Fundraising	Total
	Emergency Services	Adolescents' and Children's Clinic	Seniors' Net	Total Program Services			
Assistance	\$ 1,762,220	\$ 10,738	\$ 3,598	\$ 1,776,556	\$ -	\$ -	\$ 1,776,556
Computer	29,494	4,470	1,597	35,561	6,526	-	42,087
Depreciation	45,721	-	-	45,721	11,430	-	57,151
Insurance	-	-	-	-	10,329	-	10,329
Miscellaneous	2,328	381	-	2,709	9,020	210	11,939
Occupancy	113,229	20,467	6,837	140,533	12,107	-	152,640
Office	7,892	1,848	416	10,156	15,327	2,513	27,996
Payroll and benefits	252,200	32,125	59,543	343,868	73,900	112,998	530,766
Professional fees	-	-	-	-	9,000	-	9,000
Promotions and events	374	-	-	374	1,902	15,359	17,635
Utilities	30,394	5,678	3,628	39,700	2,741	-	42,441
<b>Total</b>	<b>\$ 2,243,852</b>	<b>\$ 75,707</b>	<b>\$ 75,619</b>	<b>\$ 2,395,178</b>	<b>\$ 152,282</b>	<b>\$ 131,080</b>	<b>\$ 2,678,540</b>

See notes to financial statements.

**Network of Community Ministries, Inc.**  
**Statement of Cash Flows**  
**Year Ended June 30, 2018**

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<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 22,810
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	57,151
Changes in operating assets and liabilities:	
Accounts receivable	(32,040)
Donated inventory	(5,083)
Prepaid expenses and other	3,358
Accounts payable and accrued expenses	938
Accrued compensated absences	166
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<b>Net cash provided by operating activities</b>	<b>47,300</b>
<b>Cash flows from investing activities-</b>	
Purchases of property and equipment	(37,788)
<b>Cash flows from financing activities:</b>	
Draws on line of credit	10,000
Payments on line of credit	(10,000)
	<hr/>
<b>Net cash used by financing activities</b>	<b>-</b>
	<hr/>
<b>Net increase in cash</b>	<b>9,512</b>
<b>Cash at beginning of year</b>	<b>117,490</b>
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<b>Cash at end of year</b>	<b>\$ 127,002</b>
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See notes to financial statements.

# Network of Community Ministries, Inc.

## Notes to Financial Statements

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### 1. Organization

Network of Community Ministries, Inc. (Network) was founded in 1985. Network is supported by businesses, individuals and a coalition of religious, civic and social organizations and relies upon contributions and grants. Network's mission is caring, coaching and empowering its neighbors in need for an improved quality of life.

This mission is accomplished by offering charitable assistance to persons in need, primarily in the Richardson Independent School District (RISD) area of North Texas, and by alerting and educating the community on issues that affect those in need. Network provides food, clothing, medical services and emergency financial assistance for rent and utilities and meets other needs of clients.

Network focuses its services on certain groups through three activities: Emergency Services, Adolescents' and Children's Clinic and Seniors' Net.

Emergency Services provides food, clothing and temporary financial assistance for rent and utilities to clients. Emergency Services also provides assistance with training, job skills and job search to assist clients to become financially independent.

The Adolescents' and Children's Clinic (Clinic) serves the health care needs of children of low-income working parents. The Clinic services families who cannot afford a private doctor or dentist, are not on Medicaid and cannot take time from work to spend the day at Parkland Hospital. The Clinic is staffed by volunteer dentists and hygienists, and there is no charge to the clients for these services.

Seniors' Net provides multiple services for those who are 60 years of age and over including financial counseling, friendly visitors, family support, home maintenance and other services. Citizens in the community volunteer to provide these services. The activity is led by a paid director.

Clients must meet eligibility and residence requirements to receive services.

### 2. Significant Accounting Policies

#### ***Basis of Accounting and Financial Statement Presentation***

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

# Network of Community Ministries, Inc.

## Notes to Financial Statements

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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:

*Unrestricted net assets* - Net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the board of directors.

*Temporarily restricted net assets* - Net assets subject to donor or grantor stipulations that will be met by actions of Network and/or the passage of time.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that will never lapse, thus requiring the funds to be maintained permanently by Network. Generally, the donors of these assets permit Network to use all or part of the income earned on related investments for general or specific purposes. Network had no permanently restricted net assets as of June 30, 2018.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions with donor-imposed restrictions that are met in the same year as the contributions were received are reported as unrestricted net assets.

### ***Financial Instruments and Credit Risk Concentrations***

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash and accounts receivable. Network places cash, which at times may exceed the federally insured limits, with high credit quality financial institutions to minimize risk. Network has not experienced losses on such assets. Network continually evaluates the collectability of accounts receivable and maintains allowances for potential losses, if considered necessary.

# Network of Community Ministries, Inc.

## Notes to Financial Statements

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### ***Donated Inventory***

Inventory consists primarily of donated food, clothing, toys and games. Donated inventory is recorded at estimated fair market value. The following summarizes the basis upon which fair market value is estimated:

Donated food	\$1.70 per pound
Clothing	Thrift shop value
Durable medical equipment	Thrift shop value
Toys and games	Wholesale price

### ***Property and Equipment***

Network capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over estimated useful lives of the assets.

### ***Contributions***

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Contributions are recorded as revenue at the time an unconditional right to the gift has been established and the proceeds are measurable in amount. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

### ***Donated Goods and Services***

Network receives in-kind services and goods in the normal course of operations. Donated professional services meeting certain requirements (as defined by GAAP) are reported as contributions at the time the service is performed at the estimated fair value of such service. Donated goods are reported as contributions at their estimated fair value at the time of receipt.

### ***Functional Allocation of Expenses***

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

# Network of Community Ministries, Inc.

## Notes to Financial Statements

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### ***Income Taxes***

Network 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 Network's exempt purpose is subject to tax under IRC Section 511. Network had no unrelated business income for the year ended June 30, 2018. 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 Network's tax return and recognition of a tax liability (or asset) if Network 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 Network and has concluded that as of June 30, 2018, 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.

### ***Advertising***

Network expenses advertising costs as they are incurred. Advertising costs for the year ended June 30, 2018 totaled \$5,028.

### ***Risks and Economic Outlook***

Network operates in the RISD area of North Texas and, as such, is dependent upon the community's interest in the Network's programs and the willingness and ability of donors in the area to continue supporting the Network. The ability of Network's donors to continue giving amounts comparable with prior years may be dependent, among other things, upon current and future overall economic conditions.

### ***Use of Estimates***

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

### ***New Accounting Pronouncements***

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification.

## Network of Community Ministries, Inc.

### Notes to Financial Statements

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Network considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on Network's financial position and changes in net assets.

In 2016, the FASB issued ASU 2016-14 *Presentation of Financial Statements of Not-For-Profit Entities* to improve the presentation of financial statements of not-for-profit entities. The key qualitative and quantitative changes in the ASU address the following: net asset classification, information presented about a not-for-profit entity's liquidity and availability of resources, investment return presentation, expense allocation methodology, disclosure and presentation in the financial statements, and the presentation of the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The effective date of ASU 2014-09 is for annual periods beginning after December 15, 2018 for the majority of not-for-profit organizations.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases (ASC Topic 842)* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use (ROU) assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2019.

In 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) Subject to Topic 958, Not-for-Profit Entities or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is *not a factor* for determining whether an agreement is within the scope of that guidance. The standard is effective for annual periods beginning after December 15, 2018 for the majority of not-for-profit entities.

# Network of Community Ministries, Inc.

## Notes to Financial Statements

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The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

Network is currently assessing the impact that adopting this new guidance will have on the financial statements.

### 3. Property and Equipment

Property and equipment consist of the following as of June 30, 2018:

Furniture and equipment	\$ 57,124
Medical equipment	92,261
Capital improvements and expansions	579,635
Website	<u>8,594</u>
	737,614
Less: accumulated depreciation	<u>(388,050)</u>
	<u>\$ 349,564</u>

Depreciation expense was \$57,151 for the year ended June 30, 2018.

### 4. Line of Credit

Network has a revolving line of credit with a maximum draw of \$50,000 expiring June 30, 2019. As of June 30, 2018, no amounts were outstanding under the line of credit.

Network has a revolving line of credit with a maximum draw of \$50,000 expiring December 7, 2018. As of June 30, 2018, no amounts were outstanding under the line of credit.

**Network of Community Ministries, Inc.**  
**Notes to Financial Statements**

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**5. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of amounts restricted by donors for the following purposes as of June 30, 2018:

Food pantry - food	\$ 29,486
Food pantry - produce coolers	24,221
Client utilities	15,129
Client clothing and supplies	8,982
Other	986
Job resource center	17,079
Clinic	250
Seniors' Net handyman	2,290
Case manager salary	19,000
Promotional material	<u>1,740</u>
	<u>\$ 119,163</u>

**6. In-Kind Contributions**

Network received donations of food, medical supplies, medical services, durable medical equipment, clothing and toys during the year ended June 30, 2018. The following represents the estimated value of these in-kind donations which are reflected in the accompanying statement of activities:

Donated goods	\$ 1,624,175
Donated medical services	<u>4,665</u>
	<u>\$ 1,628,840</u>

**7. Commitments**

Network leases its office and storage facilities under a non-cancelable operating lease. Rent expense related to this lease totaled \$124,320 for the year ended June 30, 2018. Future minimum lease payments under this lease agreement total \$124,320 for the year ending June 30, 2019.

**Network of Community Ministries, Inc.**  
**Notes to Financial Statements**

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**8. Subsequent Events**

Network has evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required.