



Network of Community Ministries, Inc.

**Financial Statements
June 30, 2020 and 2019**

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 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 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 audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
November 17, 2020

Network of Community Ministries, Inc.
Statements of Financial Position
June 30, 2020 and 2019

| Assets | 2020 | 2019 |
|--|--------------|------------|
| Current assets: | | |
| Cash | \$ 1,103,203 | \$ 163,947 |
| Restricted cash - capital campaign | 123,793 | - |
| Grants receivable | 142,959 | 61,000 |
| Donated inventory | 340,014 | 270,509 |
| Prepaid expenses and other | 10,843 | 11,744 |
| Unconditional promises to give restricted for capital campaign | 106,733 | - |
| Total current assets | 1,827,545 | 507,200 |
| Property and equipment, net | 339,919 | 318,289 |
| Unconditional promises to give restricted for capital campaign - long-term, net | 259,474 | - |
| Total assets | \$ 2,426,938 | \$ 825,489 |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 25,314 | \$ 8,519 |
| Accrued compensated absences | 8,971 | 7,844 |
| Note payable | 111,900 | - |
| Total current liabilities | 146,185 | 16,363 |
| Net assets: | | |
| Without donor restrictions | 1,452,469 | 667,903 |
| With donor restrictions | 828,284 | 141,223 |
| Total net assets | 2,280,753 | 809,126 |
| Total liabilities and net assets | \$ 2,426,938 | \$ 825,489 |

See notes to financial statements.

Network of Community Ministries, Inc.
Statement of Activities
Year Ended June 30, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|---------------------|
| Revenue and support: | | | |
| Contributions | \$ 1,990,441 | \$ - | \$ 1,990,441 |
| Capital campaign | - | 490,000 | 490,000 |
| In-kind contributions | 3,623,576 | - | 3,623,576 |
| Emergency Services | 428,069 | 302,521 | 730,590 |
| Adolescents' and Children's Clinic | 2,200 | - | 2,200 |
| Seniors' Net | 4,581 | - | 4,581 |
| Net assets released from restrictions | 105,460 | (105,460) | - |
| Total revenue and support | 6,154,327 | 687,061 | 6,841,388 |
| Expenses: | | | |
| Program services: | | | |
| Emergency Services | 4,762,858 | - | 4,762,858 |
| Adolescents' and Children's Clinic | 2,392 | - | 2,392 |
| Seniors' Net | 76,085 | - | 76,085 |
| Total program services | 4,841,335 | - | 4,841,335 |
| Management and general | 191,241 | - | 191,241 |
| Fundraising | 337,185 | - | 337,185 |
| Total expenses | 5,369,761 | - | 5,369,761 |
| Change in net assets | 784,566 | 687,061 | 1,471,627 |
| Net assets at beginning of year | 667,903 | 141,223 | 809,126 |
| Net assets at end of year | \$ 1,452,469 | \$ 828,284 | \$ 2,280,753 |

See notes to financial statements.

Network of Community Ministries, Inc.
Statement of Activities
Year Ended June 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-------------------|
| Revenue and support: | | | |
| Contributions | \$ 774,114 | \$ 4,761 | \$ 778,875 |
| In-kind contributions | 2,004,979 | - | 2,004,979 |
| Emergency Services | 121,653 | 268,730 | 390,383 |
| Adolescents' and Children's Clinic | 7,321 | - | 7,321 |
| Seniors' Net | 2,501 | 3,406 | 5,907 |
| Net assets released from restrictions | 254,837 | (254,837) | - |
| Total revenue and support | 3,165,405 | 22,060 | 3,187,465 |
| Expenses: | | | |
| Program services: | | | |
| Emergency Services | 2,673,153 | - | 2,673,153 |
| Adolescents' and Children's Clinic | 26,180 | - | 26,180 |
| Seniors' Net | 68,652 | - | 68,652 |
| Total program services | 2,767,985 | - | 2,767,985 |
| Management and general | 179,180 | - | 179,180 |
| Fundraising | 178,152 | - | 178,152 |
| Total expenses | 3,125,317 | - | 3,125,317 |
| Change in net assets | 40,088 | 22,060 | 62,148 |
| Net assets at beginning of year | 627,815 | 119,163 | 746,978 |
| Net assets at end of year | \$ 667,903 | \$ 141,223 | \$ 809,126 |

See notes to financial statements.

Network of Community Ministries, Inc.
Statement of Functional Expenses
Year Ended June 30, 2020

| | Program Services | | | Total Program Services | Management and General | Fundraising | Total |
|-----------------------|-----------------------|---------------------------------------|------------------|---------------------------|---------------------------|-------------------|---------------------|
| | Emergency Services | Adolescents' and Children's Clinic | Seniors' Net | | | | |
| Assistance | \$ 4,028,613 | \$ 1,490 | \$ 6,500 | \$ 4,036,603 | \$ - | \$ 70 | \$ 4,036,673 |
| Computer | 36,570 | - | 1,450 | 38,020 | 7,551 | - | 45,571 |
| Depreciation | 55,754 | - | - | 55,754 | 12,392 | - | 68,146 |
| Insurance | 9,158 | - | 245 | 9,403 | 5,620 | - | 15,023 |
| Miscellaneous | 2,722 | - | - | 2,722 | 19,471 | 287 | 22,480 |
| Occupancy | 130,220 | 177 | 7,087 | 137,484 | 13,735 | - | 151,219 |
| Office | 18,038 | 725 | 415 | 19,178 | 13,550 | 2,735 | 35,463 |
| Payroll and benefits | 438,046 | - | 57,947 | 495,993 | 99,329 | 219,334 | 814,656 |
| Professional fees | - | - | - | - | 9,688 | 99,500 | 109,188 |
| Promotions and events | 4,382 | - | - | 4,382 | 2,857 | 15,259 | 22,498 |
| Staff training | 158 | - | - | 158 | 1,262 | - | 1,420 |
| Utilities | 39,197 | - | 2,441 | 41,638 | 5,786 | - | 47,424 |
| Total | \$ 4,762,858 | \$ 2,392 | \$ 76,085 | \$ 4,841,335 | \$ 191,241 | \$ 337,185 | \$ 5,369,761 |

See notes to financial statements.

Network of Community Ministries, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019

| | Program Services | | | Total Program Services | Management and General | Fundraising | Total |
|-----------------------|-----------------------|---------------------------------------|------------------|---------------------------|---------------------------|-------------------|---------------------|
| | Emergency Services | Adolescents' and Children's Clinic | Seniors' Net | | | | |
| Assistance | \$ 2,119,387 | \$ 1,936 | \$ 3,072 | \$ 2,124,395 | \$ - | \$ - | \$ 2,124,395 |
| Computer | 29,357 | 1,216 | 1,314 | 31,887 | 5,602 | - | 37,489 |
| Depreciation | 45,139 | - | - | 45,139 | 11,285 | - | 56,424 |
| Insurance | 5,400 | - | 528 | 5,928 | 5,301 | - | 11,229 |
| Miscellaneous | 5,731 | - | - | 5,731 | 8,958 | 180 | 14,869 |
| Occupancy | 123,025 | 7,124 | 7,124 | 137,273 | 11,398 | - | 148,671 |
| Office | 12,663 | 1,565 | 453 | 14,681 | 9,111 | 1,616 | 25,408 |
| Payroll and benefits | 296,961 | 11,077 | 53,642 | 361,680 | 84,628 | 160,975 | 607,283 |
| Professional fees | - | - | - | - | 35,650 | - | 35,650 |
| Promotions and events | 102 | - | - | 102 | 2,417 | 15,381 | 17,900 |
| Staff training | 33 | - | - | 33 | 1,361 | - | 1,394 |
| Utilities | 35,355 | 3,262 | 2,519 | 41,136 | 3,469 | - | 44,605 |
| Total | \$ 2,673,153 | \$ 26,180 | \$ 68,652 | \$ 2,767,985 | \$ 179,180 | \$ 178,152 | \$ 3,125,317 |

See notes to financial statements.

Network of Community Ministries, Inc.
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

| | 2020 | 2019 |
|--|---------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 1,471,627 | \$ 62,148 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 68,146 | 56,424 |
| Contributions restricted for capital campaign | (490,000) | - |
| Amortization of discount: | | |
| Discount on unconditional promises to give restricted for capital campaign | 48,293 | - |
| Changes in operating assets and liabilities: | | |
| Grants receivable | (81,959) | (28,000) |
| Donated inventory | (69,505) | (18,658) |
| Prepaid expenses and other | 901 | (1,751) |
| Accounts payable and accrued expenses | 16,795 | (8,695) |
| Accrued compensated absences | 1,127 | 626 |
| Net cash provided by operating activities | 965,425 | 62,094 |
| Cash flows from investing activities- | | |
| Purchases of property and equipment | (89,776) | (25,149) |
| Cash flows from financing activities: | | |
| Proceeds from notes payable | 111,900 | - |
| Collection of unconditional promises to give for capital campaign | 75,500 | - |
| Draws on line of credit | 30,000 | 30,000 |
| Payments on line of credit | (30,000) | (30,000) |
| Net cash provided by financing activities | 187,400 | - |
| Net increase in cash | 1,063,049 | 36,945 |
| Cash at beginning of year | 163,947 | 127,002 |
| Cash at end of year | \$ 1,226,996 | \$ 163,947 |
| Reconciliation of cash and restricted cash reported within the statements of financial position to the statements of cash flows | | |
| Cash | \$ 1,103,203 | \$ 163,947 |
| Restricted cash - capital campaign | 123,793 | - |
| Total cash and restricted cash shown in the statements of cash flows | \$ 1,226,996 | \$ 163,947 |

See notes to financial statements.

Network of Community Ministries, Inc.

Notes to Financial Statements

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 fourteen zip codes that make up 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 programming 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 medical programs 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 medical and dental program serves the health care needs of children of low-income working parents by providing services to 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. Vouchers are provided to volunteer doctors, dentists and hygienists, and there is no charge to the clients for these services.

Network closed the on-site clinic program effective June 30, 2019.

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

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 Network 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 Network 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. As of June 30, 2020 and 2019, no such net asset restrictions existed.

Revenues are reported as increases 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 are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor 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. Network chooses to show contributions with donor restrictions whose restrictions are met in the same reporting period as contributions without donor restriction.

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash, grants receivable and unconditional promises to give. 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. At June 30, 2020, the Network's uninsured balances totaled \$969,790. Network continually evaluates the collectability of grants receivable and unconditional promises to give and maintains allowances for potential losses, if considered necessary.

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 more than one year are recorded at the present value of the expected future cash flows. An allowance for doubtful pledges is estimated based on management's analysis of historical payment trends,

Network of Community Ministries, Inc.

Notes to Financial Statements

specific known collection risks, write-off trends and current economic conditions and is adjusted for those pledges receivable for which collection is uncertain. No allowance was considered necessary at June 30, 2020 or 2019.

At June 30, 2020, the balance due on pledges from two donors represented approximately 55% of total unconditional promises to give.

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 |
| 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.

Revenue Recognition

Network recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. 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.

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.

Network of Community Ministries, Inc.

Notes to Financial Statements

Functional Allocation of Expenses

The costs of providing the various programs and 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 benefitted.

Costs are allocated between program services and support services based on management's judgment considering space used, time spent or direct relation to the program or support service benefitted.

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 years ended June 30, 2020 and 2019. 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, 2020 and 2019, 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, 2020 and 2019 totaled \$2,171 and \$2,500, respectively.

Risks and Economic Outlook

Network operates in the RISD area of North Texas and, as such, is dependent upon the community's interest in Network's programs and the willingness and ability of donors in the area to continue supporting 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.

Network of Community Ministries, Inc.

Notes to Financial Statements

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 (ASUs) to the FASB's Accounting Standards Codification.

Network considers the applicability and impact of all ASUs. ASUs 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 its leasing standard in ASU 2016-02, *Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statements of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statements 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, 2021.

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

Accounting Pronouncements Adopted

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. Network has adopted this ASU as of and for the year ended June 30, 2020, with retrospective application for the 2019 financial statements.

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Notes to Financial Statements

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. Network has adopted this ASU as of and for the year ended June 30, 2020, with retrospective application for the 2019 financial statements.

Analysis of various provisions of the adopted ASUs resulted in no significant changes in the way the Network recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the ASUs.

3. Unconditional Promises to Give

Unconditional promises to give at June 30, 2020 are as follows:

| | |
|--------------------------------------|-------------------|
| Unconditional promises to give | \$ 414,500 |
| Less discount to net present value | <u>(48,293)</u> |
| Net unconditional promises to give | <u>\$ 366,207</u> |
| Receivable in one year or less | \$ 106,733 |
| Receivable between one to five years | 259,474 |

Promises to give due in more than one year are valued using a discount rate of 3.25%.

Network of Community Ministries, Inc.
Notes to Financial Statements

4. Property and Equipment

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

| | 2020 | 2019 |
|-------------------------------------|------------|------------|
| Furniture and equipment | \$ 38,990 | \$ 55,460 |
| Capital improvements and expansions | 609,592 | 605,836 |
| Website | 3,975 | 8,594 |
| Vehicles | 80,290 | - |
| | 732,847 | 669,890 |
| Less: accumulated depreciation | (392,928) | (351,601) |
| | \$ 339,919 | \$ 318,289 |

Depreciation expense totaled \$68,146 and \$56,424 for the years ended June 30, 2020 and 2019, respectively.

5. Paycheck Protection Program Loan

On April 20, 2020, the Network entered into an unsecured loan (PPP Loan) in the aggregate amount of \$111,900 with a bank pursuant to the Paycheck Protection Program (PPP), which is sponsored by the Small Business Administration (SBA), and is part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), as amended by the Paycheck Protection Program Flexibility Act of 2020 (Flexibility Act). The PPP provides for loans to qualifying businesses, the proceeds of which may only be used for payroll costs, rent, utilities, mortgage interest, and interest on other pre-existing indebtedness (Permissible Expenses). The PPP Loan matures on April 20, 2022, bears interest at a fixed rate of 1.0% percent per annum and is payable in monthly installments commencing on the earlier of the date on which the amount of loan forgiveness is determined or November 20, 2020. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties. The PPP Loan, and accrued interest, may be forgiven partially or in full, if certain conditions are met. The most significant of the conditions are:

- Only amounts expended for Permissible Expenses during the eight-week or 24-week period, as elected by the Network, following April 20, 2020 (Covered Period) are eligible for loan forgiveness. The Network has elected an eight-week Covered Period;
- Of the total amount of Permissible Expenses for which forgiveness can be granted, at least 60% must be for payroll costs, or a proportionate reduction of the maximum loan forgiveness amount will occur; and

Network of Community Ministries, Inc.

Notes to Financial Statements

- If employee headcount is reduced, or employee compensation is reduced by more than 25%, during the Covered Period, a further reduction of the maximum loan forgiveness amount will occur, subject to certain safe harbors added by the Flexibility Act.

In order to obtain forgiveness of the PPP Loan, in whole or in part, the Network must request forgiveness and provide satisfactory documentation in accordance with applicable SBA guidelines. Any portion of the PPP Loan that is not forgiven, together with accrued interest, will be repaid based on the terms and conditions of the PPP Loan and in accordance with the PPP as amended by the Flexibility Act. The Network has recorded the full amount of the PPP Loan as debt at June 30, 2020 and intends to reflect the benefit of any loan forgiveness when the loan forgiveness application is submitted to, and approved by, the SBA and it has reasonable assurance from the SBA that it has met the eligibility and loan forgiveness requirements of the PPP. Management of the Network believes the entire loan amount will be forgiven.

6. Line of Credit

Network has a revolving line of credit with a maximum draw of \$500,000 expiring November 2, 2023. As of June 30, 2020 and 2019, no amounts were outstanding under the line of credit.

7. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of amounts restricted by donors for the following purposes as of June 30:

| | 2020 | 2019 |
|------------------------------|-------------------|-------------------|
| Capital campaign | \$ 490,000 | \$ - |
| Food pantry | 80,000 | 5,834 |
| Mobile food pantry | 103,894 | 74,471 |
| Client utilities | 36,471 | 33,910 |
| Client clothing and supplies | 4,065 | 5,700 |
| Client other | - | 461 |
| Job resource center | 31,066 | 3,060 |
| Clinic | 1,408 | 2,211 |
| Holiday baskets | - | 1,501 |
| Bus passes | - | 100 |
| Direct housing assistance | - | 8,500 |
| Mini loan program | 28,421 | 2,975 |
| Storm assistance | 8,000 | 2,500 |
| COVID-19 assistance | 34,959 | - |
| Pathways program | 10,000 | - |
| | <u>\$ 828,284</u> | <u>\$ 141,223</u> |

Network of Community Ministries, Inc.
Notes to Financial Statements

8. In-Kind Contributions

Network received donations of food, school supplies, clothing and toys during the years ended June 30, 2020 and 2019. The estimated value of these in-kind donations reflected on the accompanying statements of activities was \$3,623,576 and \$2,004,979, respectively.

9. Commitments

Network leases its office and storage facilities under an operating lease expiring December 31, 2021 that is cancellable with 12 months' notice. Rent expense related to this lease totaled \$124,320 for the years ended June 30, 2020 and 2019, respectively. Annual minimum lease payments under this lease agreement total \$124,320.

During the year ended June 30, 2020, Network signed a contract with a professional fundraiser in conjunction with the start of its capital campaign. Future payments required under the agreement total \$99,000 for the year ended June 30, 2021.

10. Related Party Transactions

Network has unconditional promises to give from various board members totaling \$414,500 at June 30, 2020. Network received contributions from members of the board of directors totaling \$116,416 and \$23,335 for the years ended June 30, 2020 and 2019, respectively.

11. Liquidity and Availability of Resources

The Network's financial assets available within one year of the statement of financial position date of June 30, 2020 and 2019 for general expenditure are as follows:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|-------------------|
| Cash | \$ 1,103,203 | \$ 163,947 |
| Restricted cash | 123,793 | - |
| Grants receivable | 142,959 | 61,000 |
| Unconditional promises to give restricted for capital campaign, net | <u>366,207</u> | <u>-</u> |
| Total financial assets | 1,736,162 | 224,947 |
| Less amounts not available for general expenditures within one year: | | |
| Unspent capital campaign funds | <u>490,000</u> | <u>-</u> |
| Total financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,246,162</u> | <u>\$ 224,947</u> |

Network of Community Ministries, Inc.

Notes to Financial Statements

Network receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures within one year.

Network strives to maintain liquid financial assets sufficient to cover near-term operating needs, and to maintain sufficient reserves to provide reasonable assurance that long-term obligations will be fulfilled. To achieve this, Network forecasts its future cash flows and monitors its liquidity monthly. During the year ended June 30, 2020, the level of liquidity was managed within Network's expectations.

12. Uncertainty

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. Given the uncertainty of the spread of the coronavirus, the related financial impact to Network, if any, cannot be determined at this time.

13. Subsequent Events

Network provided notice of termination of office lease on October 13, 2020. Network is under contract to purchase a building totaling \$2,990,000 and closing is scheduled to take place before the end of November 2020.

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