

NORCROSS COOPERATIVE MINISTRY, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2014

**Prepared by
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Norcross Cooperative Ministry, Inc.
Norcross, Georgia

We have audited the accompanying statements of Norcross Cooperative Ministry, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014 and the related statements of activities 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 representation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair representation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 representation of the financial statements in order to design audit procedures that are appropriate in the circumstance, 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 account estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Norcross Cooperative Ministry, Inc. as of December 31, 2014, 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.

Roswell, Georgia
October 6, 2015

NORCROSS COOPERATIVE MINISTRY, INC.

Statement of Financial Position

December 31, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,089,110
Cash and cash equivalents – restricted	47,605
Accounts receivable	20,513
Pledges receivable	16,725
Prepaid expenses	<u>1,584</u>
Total Current Assets	1,175,537

PLANT, PROPERTY AND EQUIPMENT

Land	335,980
Buildings	991,748
Equipment	32,314
Furniture and fixtures	78,451
Cargo trailer	1,231
Improvements	16,110
Accumulated depreciation and amortization	<u>(465,077)</u>
Total Plant, Property and Equipment	<u>990,757</u>

TOTAL ASSETS

\$ 2,166,294

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 18,050
Payroll taxes payable	<u>13,014</u>
Total Liabilities	31,064

NET ASSETS

Unrestricted net assets	792,216
Permanently restricted net assets	<u>1,343,014</u>
Total Net Assets	<u>2,135,230</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 2,166,294

See Independent Auditors' Report.

The accompanying notes are an integral part of these statements.

NORCROSS COOPERATIVE MINISTRY, INC.

Statements of Activities

Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
Contributions and grants	\$ 909,640	\$ -	\$ -	\$ 909,640
Government programs	214,287	-	-	214,287
Interest and dividends	2,839	-	47	2,886
Net realized and unrealized gain on securities	<u>290</u>	<u>-</u>	<u>-</u>	<u>290</u>
Total Unrestricted Revenues and Other Support	\$ 1,127,056	\$ -	\$ 47	\$ 1,127,103
FUNCTIONAL EXPENDITURES AND OTHER DEDUCTIONS				
Program services	\$ 1,142,577	\$ -	\$ -	\$ 1,142,577
Management and general	73,865	-	-	73,865
Fundraising	<u>11,367</u>	<u>-</u>	<u>-</u>	<u>11,367</u>
Total Functional Expenditures and Other Deductions	1,227,809	-	-	1,227,809
INCREASE (DECREASE) IN NET ASSETS	(100,753)	-	47	(100,706)
TRANSFERS-TO UNRESTRICTED	-	-	-	-
NET ASSETS AT BEGINNING OF YEAR	<u>892,969</u>	<u>-</u>	<u>1,342,967</u>	<u>2,235,936</u>
NET ASSETS AT END OF YEAR	<u>\$ 792,216</u>	<u>\$ -</u>	<u>\$ 1,343,014</u>	<u>\$ 2,135,230</u>

See Independent Auditors' Report.

The accompanying notes are an integral part of these statements.

NORCROSS COOPERATIVE MINISTRY, INC.

Statement of Cash Flows

Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in net assets	\$ (100,706)
Adjustments to reconcile changes in net assets to cash provided by operating activities:	
Depreciation	35,880
Interest and dividends - restricted	(47)
(Gain) loss on realized gains and losses on securities	(290)
Contributions of stock	(16,664)
Changes in assets and liabilities:	
Accounts receivable	30,039
Pre-paid expenses	-
Deposits	-
Accounts payable and accrued expenses	<u>7,230</u>
Net Cash from Operating Activities	(44,558)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of securities	<u>16,954</u>
Net Cash from Investing Activities	16,954

CASH FLOWS FROM FINANCING ACTIVITIES

Net Cash from Financing Activities	-
Net Cash Increase (Decrease) for the Period	(27,604)
Cash at the Beginning of the Period	<u>1,116,714</u>
Cash at the End of the Period	<u>\$ 1,089,110</u>

See Independent Auditors' Report.

The accompanying notes are an integral part of these statements.

NORCROSS COOPERATIVE MINISTRY, INC.

Statements of Functional Expenses

Year Ended December 31, 2014

<u>Description</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Total</u>
Restoring Hope assistance programs	\$ 202,862	\$ -	\$ -	\$ 202,862
Christmas programs	15,175	-	-	15,175
Client assistance programs	556,746	-	-	556,746
Salaries	240,648	51,138	9,024	300,810
Payroll taxes	18,718	3,977	702	23,397
Advertising	-	-	-	-
Bank service charges	1,102	234	41	1,377
Dues and subscriptions	763	162	29	954
Fund raising	-	-	483	483
Insurance	7,174	2,780	178	10,132
Office expenses	20,311	4,317	762	25,390
Postage	-	2,210	-	2,210
Print materials	-	-	-	-
Professional fees	-	3,100	-	3,100
Repairs and maintenance	23,810	1,453	-	25,263
Special projects	2,323	-	-	2,323
Telephone	3,947	839	148	4,934
Utilities	15,181	926	-	16,107
Depreciation	33,817	2,063	-	35,880
Miscellaneous	<u>-</u>	<u>666</u>	<u>-</u>	<u>666</u>
Total Expenses	<u>\$ 1,142,577</u>	<u>\$ 73,865</u>	<u>\$ 11,367</u>	<u>\$ 1,227,809</u>

See Independent Auditors' Report.

The accompanying notes are an integral part of these statements.

NORCROSS COOPERATIVE MINISTRY, INC.

Notes to Financial Statements

NOTE A – DESCRIPTION OF ORGANIZATION

Norcross Cooperative Ministry, Inc. (the Ministry) was organized in 1988 as a not-for-profit corporation in Georgia. It is an organization exempt from federal income taxes as defined by Internal Revenue Code Section 501(c)(3). The Ministry is comprised of twenty plus Christian churches of various denominations in the Norcross, Georgia area. It is governed by a Board of Directors composed of at least one voting member and one alternative from each member church. The daily administration is performed by a small full and part-time staff augmented by over two hundred volunteers. The Ministry receives funds and like-kind contributions from the general public, including businesses, civic groups, foundations and other faith-based organizations. In addition the Ministry also works with local governments to administer certain emergency housing funds. The primary service area for the Ministry encompasses the following Norcross zip codes: 30071, 30073, 30091, 30092, 30093, and the Gwinnett County portions of 30084, 30340, and 30360. Qualified clients within the service area are eligible for assistance with rent, utilities, transportation, prescription medicines, temporary shelter, food, clothing, and children and baby items.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Cash and Cash Equivalents

For purposes of the statements of financial position and of cash flows, cash includes cash and cash equivalents. Investments with an original maturity of three months or less are considered as cash equivalents. Cash received with permanently restricted donor imposed restrictions are recorded in restricted cash on the statement of financial position and are excluded from cash and cash equivalents for purposes of the statement of cash flow.

2. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair market value in the Statement of Financial Position. The unrealized gain or loss on investments is reflected in the Statements of Activities.

3. Property and Equipment

Maintenance and repairs are charged to expense as incurred. Major renewals and betterments are capitalized. Costs and related accumulated depreciation on assets disposed of are removed from the accounts with any gain or loss thereon reflected in income.

NORCROSS COOPERATIVE MINISTRY, INC.

Notes to Financial Statements

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Property and Equipment (continued)

Property and equipment are stated at cost if purchased and fair value if contributed, less depreciation computed on a straight-line basis. Estimated useful lives are generally as follows:

Building and improvements	30 years
Furniture and equipment	3 – 10 years

4. Revenue and Expenses

The Ministry has adopted Statement of Financial Accounting Standards (SFAS) No. 116, “Accounting for Contributions Received and Contributions Made,” and SFAS No. 117, “Financial Statements of Not-for-Profit Organizations.” SFAS No. 117 establishes standards for financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each of the net asset categories in accordance with donor-imposed restrictions.

Descriptions of the net asset categories currently applicable to the Ministry are as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that may or will be met by actions of the Ministry and/or the passage of time. Temporarily restricted net assets at December 31, 2014 represent earnings on endowment fund contributions that are available for the operations of the Ministry.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that only allow for use of the income earned on the contribution. The principal of the contribution may not be used for Ministry operations, unless the Board of Directors of the Ministry determines that the Ministry is in a severe financial crisis.

Written pledges for contributions are recorded at their estimated fair values. Pledges that are determined to be uncollectible are written-off directly against income. The total pledges receivable written-off for the year ended December 31, 2014 were determined to be \$38,600. Of this amount, \$34,650 was recorded as an allowance for doubtful accounts.

NORCROSS COOPERATIVE MINISTRY, INC.

Notes to Financial Statements

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Revenue and Expenses (continued)

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a time restriction ends or the purpose is accomplished, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as assets released from restrictions.

Expenses are allocated among program and supporting services based upon management's estimates. Administrative expenses are allocated to program and supporting services based upon related salary expenses or management's estimates.

5. Accounts Receivable

Accounts receivable are primarily due from governmental agencies and the Community Foundation. The Ministry considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, the Ministry reclassifies the expenditure as aid disbursed from its unrestricted funds. Amounts that were determined to be uncollectible for the year ended December 31, 2014 are \$0.

6. Permanently Restricted Net Assets

During 2012, the Ministry permanently restricted assets consisting of funds collected for the purpose of maintaining the Ministry's headquarters. Disbursement of these funds is restricted to obligations related to building maintenance and related matters. The balance in this account at December 31, 2014 was \$47,605.

7. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 estimates.

NORCROSS COOPERATIVE MINISTRY, INC.

Notes to Financial Statements

NOTE C – PLEDGES RECEIVABLE

Pledges receivable at December 31, 2014 represent unconditional promises to give as follows:

Unconditional promises to give	<u>\$ 16,725</u>
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The Ministry assesses pledges receivable and determines if certain pledges have become uncollectible. During the year ended December 31, 2014, the Ministry recognized \$34,650 in write-offs of uncollectible pledges.

NOTE D – INVESTMENTS

Investments (unrestricted and restricted) consist of mutual funds and stocks and are carried at market value. A money market savings account, included in cash and cash equivalents, is maintained at a nominal level to allow access to an active brokerage account. The brokerage account is used on the rare occasion that a donor makes a gift of publically traded stock. The stock is deposited with the broker, sold, and the proceeds made available to the Ministry in the money market savings account. The Ministry had received a gift of Intuit common stock and Wells Fargo Advantage Large Cap Growth Fund common stock and sold the stock in 2014. Market value of investments at December 31, 2014 was \$0.

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2014 are summarized as follows:

Furniture and equipment	\$ 110,765
Buildings and improvements	1,007,858
Cargo trailer	1,231
Land	<u>335,980</u>
Total cost, property and equipment	1,455,834
Less: accumulated depreciation	<u>465,077</u>
Remaining cost, property and equipment	<u>\$ 990,757</u>

There are no donor-imposed restrictions on the use of any of the Ministry's property. The Ministry's by-laws restrict the use of the proceeds of any disposition of property to the Ministry's stated charitable purposes.

NORCROSS COOPERATIVE MINISTRY, INC.

Notes to Financial Statements

NOTE F – INCOME TAXES

The Ministry is generally exempt from federal income taxes under Internal Revenue Code 501(c)(3). Accordingly, the accompanying financial statements contain no provision for income taxes. The Ministry did not engage in any activities in 2014 that could be classified as unrelated business income under applicable provisions of the Internal Revenue Code.

NOTE G – CONCENTRATION OF CREDIT RISK

The Ministry maintains their cash and cash equivalents in large financial institutions that provide insurance on the funds by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 as of December 31, 2014. The balances in the mutual fund money markets are not covered by the FDIC. The Ministry's uninsured cash and cash equivalents and restricted cash on deposit at financial institutions at December 31, 2014 was \$2,356.

NOTE H – DONATED GOODS AND SERVICES

A substantial number of volunteers have donated significant amounts of their time to the Ministry and its assistance programs; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services. The Ministry records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Ministry receives numerous donated items of food and clothing. The value of the food and clothing cannot be determined and, therefore, no amounts relative to these items are included in the financial statements. As part of the services that the Ministry provides, these donated items are distributed to recipients. In 2014, the Ministry distributed approximately 36,300 bags of food and approximately 80,900 items of clothing.

NOTE I – EVALUATION OF SUBSEQUENT EVENTS

The Ministry has evaluated subsequent events through October 6, 2015, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

NORCROSS COOPERATIVE MINISTRY, INC.

Itemization of Program Services' Expenses

Year Ended December 31, 2014

Restoring Hope! Program Services Expenses

<u>Expense Category</u>	<u>Transform Lives</u>	<u>Expand Current Services</u>	<u>Educate & Communicate</u>	<u>Total</u>
Lodging	\$ 41,012	\$ 43,052	\$ -	\$ 84,064
Rent	300	38,521	-	38,821
Utilities	409	5,114	-	5,523
Transportation	4,079	300	-	4,379
Miscellaneous	4,780	1,963	-	6,743
GED/Certification	255	-	-	255
Employment Services	20	-	-	20
Children's Services	869	-	-	869
Classroom Units	33,731	-	-	33,731
Non-Food Assistance	-	12,570	-	12,570
Children's Activities	-	1,043	-	1,043
Training/Life Skills	725	-	-	725
Communications Plan	-	-	81	81
Building Renovation	12,262			12,262
Regular Communications	<u>-</u>	<u>-</u>	<u>1,776</u>	<u>1,776</u>
Total Expenses	<u>\$ 98,442</u>	<u>\$ 102,563</u>	<u>\$ 1,857</u>	<u>\$ 202,862</u>

NORCROSS COOPERATIVE MINISTRY, INC.

Itemization of Program Services' Expenses

Year Ended December 31, 2014

Christmas Program Services Expenses

<u>Expense Category</u>	<u>Amount</u>
Christmas Toys	\$ 13,822
Miscellaneous	<u>1,353</u>
Total Expenses	<u>\$ 15,175</u>

Client Assistance Program Services Expenses

<u>Expense Category</u>	<u>Amount</u>
Food Pantry	\$ 49,297
Lodging Aid	214,231
Medical Aid	1,554
Rent Assistance	137,059
Transportation Aid	2,663
Utility Assistance	151,942
Mortgage Assistance	<u>-</u>
Total Expenses	<u>\$ 556,746</u>