

NORCROSS COOPERATIVE MINISTRY, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2015

**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, 2015 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, 2015, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information found in the Itemization of Expenses for Program Services on pages 15 and 16, is presented for purposes of additional analysis and is 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 and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Roswell, Georgia
September 6, 2016

NORCROSS COOPERATIVE MINISTRY, INC.

Statement of Financial Position

December 31, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 883,593
Cash and cash equivalents – restricted	47,631
Accounts receivable	17,170
Pledges receivable	<u>48,314</u>

Total Current Assets 996,708

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>(500,952)</u>

Total Plant, Property and Equipment 954,882

TOTAL ASSETS \$ 1,951,590

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 7,663
Payroll taxes payable	<u>5,755</u>

Total Liabilities 13,418

NET ASSETS

Unrestricted net assets	595,132
Permanently restricted net assets	<u>1,343,040</u>

Total Net Assets 1,938,172

TOTAL LIABILITIES AND NET ASSETS \$ 1,951,590

See Independent Auditors' Report.

The accompanying notes are an integral part of these statements.

NORCROSS COOPERATIVE MINISTRY, INC.

Statement of Activities

Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
Contributions and grants	\$ 856,555	\$ -	\$ -	\$ 856,555
Government programs	210,854	-	-	210,854
Interest and dividends	2,670	-	26	2,696
Net realized and unrealized (loss) on securities	<u>(29)</u>	<u>-</u>	<u>-</u>	<u>(29)</u>
Total Unrestricted Revenues and Other Support	\$ 1,070,050	\$ -	\$ 26	\$ 1,070,076
FUNCTIONAL EXPENDITURES AND OTHER DEDUCTIONS				
Program services	\$ 1,172,149	\$ -	\$ -	\$ 1,172,149
Management and general	82,730	-	-	82,730
Fundraising	<u>12,255</u>	<u>-</u>	<u>-</u>	<u>12,255</u>
Total Functional Expenditures and Other Deductions	1,267,134	-	-	1,267,134
 INCREASE (DECREASE) IN NET ASSETS	 (197,084)	 -	 26	 (197,058)
TRANSFERS TO UNRESTRICTED	-	-	-	-
NET ASSETS AT BEGINNING OF YEAR	<u>792,216</u>	<u>-</u>	<u>1,343,014</u>	<u>2,135,230</u>
NET ASSETS AT END OF YEAR	<u>\$ 595,132</u>	<u>\$ -</u>	<u>\$ 1,343,040</u>	<u>\$ 1,938,172</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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in net assets	\$ (197,058)
Adjustments to reconcile changes in net assets to cash provided by operating activities:	
Depreciation	35,875
Interest and dividends - restricted	(26)
(Gain) loss on realized gains and losses on securities	29
Contributions of stock	(4,622)
Changes in assets and liabilities:	
Accounts receivable	(28,245)
Pre-paid expenses	1,584
Deposits	-
Accounts payable and accrued expenses	<u>(17,648)</u>
Net Cash from Operating Activities	(210,111)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of securities	<u>4,594</u>
Net Cash from Investing Activities	4,594

CASH FLOWS FROM FINANCING ACTIVITIES

Net Cash from Financing Activities	-
Net Cash Increase (Decrease) for the Period	(205,517)
Cash at the Beginning of the Period	<u>1,089,110</u>
Cash at the End of the Period	<u>\$ 883,593</u>

See Independent Auditors' Report.

The accompanying notes are an integral part of these statements.

NORCROSS COOPERATIVE MINISTRY, INC.

Statement of Functional Expenses

Year Ended December 31, 2015

<u>Description</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Total</u>
Restoring Hope! assistance programs	\$ 245,432 *	\$ -	\$ -	\$ 245,432
Christmas programs	24,409 *	-	-	24,409
Client assistance programs	495,348 *	-	-	495,348
Salaries	284,885	60,538	10,683	356,106
Payroll taxes	21,794	4,631	817	27,242
Advertising	-	79	-	79
Bank service charges	1,291	275	48	1,614
Dues and subscriptions	537	114	20	671
Fund raising	-	-	220	220
Insurance	9,623	587	-	10,210
Office expenses	8,802	1,870	330	11,002
Postage	-	1,542	-	1,542
Print materials	-	-	-	-
Professional fees	-	7,300	-	7,300
Repairs and maintenance	25,195	1,537	-	26,732
Special projects	1,532	-	-	1,532
Telephone	3,659	778	137	4,574
Utilities	15,830	966	-	16,796
Depreciation	33,812	2,063	-	35,875
Miscellaneous	<u>-</u>	<u>450</u>	<u>-</u>	<u>450</u>
Total Expenses	<u>\$ 1,172,149</u>	<u>\$ 82,730</u>	<u>\$ 12,255</u>	<u>\$ 1,267,134</u>

* See Supplementary Information, pages 15 and 16.

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. (NCM) 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). NCM is comprised of twenty plus Christian churches of various denominations in the Norcross, Georgia area. NCM is governed by a Board of Directors composed of at least one voting member and one alternate from each member church. NCM receives funds and like-kind contributions from these churches as well as the general public, including businesses, civic groups, foundations and individuals. In addition, NCM also works with local governments to administer certain emergency housing funds. The daily administration is performed by a small full and part-time staff augmented by over two hundred volunteers. The primary service area for NCM encompasses the following Norcross zip codes: 30071, 30073, 30091, 30092, 30093, and the Gwinnett County portions of 30084, 30340, and 30360, and Greater Gwinnett County as funds allow. Qualified clients within the service area are eligible for assistance with basic needs such as food, clothing, and help with rent, utilities, and temporary lodging as well as medical services. Job search assistance, financial management classes and referrals are available to everyone in the county.

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 Statement 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

NCM 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 NCM 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 NCM and/or the passage of time. Temporarily restricted net assets at December 31, 2015 represent earnings on endowment fund contributions that are available for the operations of NCM.

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 NCM operations unless the Board of Directors of NCM determines that NCM 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, 2015 were determined to be \$5,000.

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. NCM considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, NCM reclassifies the expenditure as aid disbursed from its unrestricted funds. Amounts that were determined to be uncollectible for the year ended December 31, 2015 were \$0.

6. Permanently Restricted Net Assets

During 2012, NCM permanently restricted assets consisting of funds collected for the purpose of maintaining NCM'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, 2015 was \$47,631.

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.

8. Functional Expenses

Costs are charged to Program Services, Management and General, and Fund Raising Functions based on direct expenditures incurred. Expenses not directly chargeable to these functional categories are allocated based on percentage usage and square footage.

NORCROSS COOPERATIVE MINISTRY, INC.

Notes to Financial Statements

NOTE C – PLEDGES RECEIVABLE

Pledges receivable at December 31, 2015 represent unconditional promises to give as follows:

Unconditional promises to give	<u>\$ 48,314</u>
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NCM assesses pledges receivable and determines if certain pledges have become uncollectible. During the year ended December 31, 2015, NCM recognized \$5,000 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 NCM in the money market savings account. NCM received gifts of several small stocks during 2015 with a total value of \$4,622. All of the shares received in 2015 were also sold in 2015. Market value of investments at December 31, 2015 was \$0.

The following schedule summarizes investment returns for the year ended December 31, 2015:

Dividends and interest	\$ 2,670
Net realized and unrealized capital gains (losses)	<u>(29)</u>
Total investment return	<u>\$ 2,641</u>

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2015 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>(500,952)</u>
Remaining cost, property and equipment	<u>\$ 954,882</u>

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

NORCROSS COOPERATIVE MINISTRY, INC.

Notes to Financial Statements

NOTE F – INCOME TAXES

NCM 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. NCM did not engage in any activities in 2015 that could be classified as unrelated business income under applicable provisions of the Internal Revenue Code. NCM's income tax returns for the years ended December 31, 2014 and December 31, 2015 are subject to possible federal and state examination.

NOTE G – CONCENTRATION OF CREDIT RISK

NCM 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, 2015. The balances in the mutual fund money markets are not covered by the FDIC. NCM's uninsured cash and cash equivalents and restricted cash on deposit at financial institutions at December 31, 2015 was \$2,594.

NOTE H – DONATED GOODS AND SERVICES

A substantial number of volunteers have donated significant amounts of their time to NCM and its assistance programs. These donated services, however, are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services. NCM 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.

NCM 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 NCM provides, these donated items are distributed to recipients. In 2015, NCM distributed approximately 35,200 bags of food and approximately 76,600 items of clothing.

NOTE I – EVALUATION OF SUBSEQUENT EVENTS

NCM has evaluated subsequent events through September 6, 2016, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

NORCROSS COOPERATIVE MINISTRY, INC.

Itemization of Expenses for Program Services

Year Ended December 31, 2015

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	\$ 29,159	\$ 70,771	\$ -	\$ 99,930
Rent	29,480	58,945	-	88,425
Utilities	6,894	11,721	-	18,615
Transportation	1,698	3,825	-	5,523
Miscellaneous	12,758	7,859	-	20,617
Employment Services	1,723	-	-	1,723
Children's Services	368	-	-	368
Classroom Units	1,949	-	-	1,949
Non-Food Assistance	-	5,384	-	5,384
Children's Activities	-	1,141	-	1,141
Training/Life Skills	816	-	-	816
Communications Plan	-	-	248	248
Regular Communications	<u>-</u>	<u>-</u>	<u>693</u>	<u>693</u>
Total Expenses	\$ <u>84,845</u>	\$ <u>159,646</u>	\$ <u>941</u>	\$ <u>245,432</u>

NORCROSS COOPERATIVE MINISTRY, INC.

Itemization of Expenses for Program Services

Year Ended December 31, 2015

Christmas Program Services Expenses

<u>Expense Category</u>	<u>Amount</u>
Christmas Toys	\$ 10,490
Feed the Family	7,518
Miscellaneous	<u>6,401</u>
Total Expenses	<u>\$ 24,409</u>

Client Assistance Program Services Expenses

<u>Expense Category</u>	<u>Amount</u>
Food Pantry	\$ 53,667
Lodging Aid	185,104
Medical Aid	616
Rent Assistance	134,360
Utility Assistance	<u>121,601</u>
Total Expenses	<u>\$ 495,348</u>