

NORCROSS COOPERATIVE MINISTRY, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2016

**Prepared by
David B. Floyd, C.P.A., P.C.
Certified Public Accountants
6100 Lake Forrest Drive NW, Suite 430
Atlanta, Georgia 30328**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	3 - 4
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF ACTIVITIES	6
STATEMENT OF CASH FLOWS	7
STATEMENT OF FUNCTIONAL EXPENSES	8
NOTES TO FINANCIAL STATEMENTS	9 - 13
SUPPLEMENTAL INFORMATION	14 - 16

DAVID B. FLOYD, C.P.A., P.C.
Certified Public Accountants

6100 Lake Forrest Drive NW, Suite 430
Atlanta, Georgia 30328
(770) 650-6824

E-Mail david@dbfloyd.com

Fax (404) 829-1272

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Norcross Cooperative Ministry, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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 presentation 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 presentation 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 from 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 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 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, 2016, 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.

A handwritten signature in blue ink, appearing to read "Dan B. Be CPA, PC". The signature is written in a cursive style with a large initial "D".

Atlanta, Georgia
October 15, 2017

NORCROSS COOPERATIVE MINISTRY, INC.

Statement of Financial Position

December 31, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 765,258
Cash and cash equivalents – restricted	47,663
Accounts receivable	2,581
Pledges receivable	<u>22,816</u>

Total Current Assets 838,318

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>(536,759)</u>

Total Plant, Property and Equipment 919,075

TOTAL ASSETS \$ 1,757,393

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 19,283
Payroll taxes payable	<u>5,011</u>

Total Liabilities 24,294

NET ASSETS

Unrestricted net assets	390,014
Permanently restricted net assets	<u>1,343,085</u>

Total Net Assets 1,733,099

TOTAL LIABILITIES AND NET ASSETS \$ 1,757,393

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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
Contributions and grants	\$ 989,350	\$ -	\$ -	\$ 989,350
Government programs	237,759	-	-	237,759
Interest and dividends	2,058	-	45	2,103
Net realized and unrealized (loss) on securities	<u>135</u>	<u>-</u>	<u>-</u>	<u>135</u>
Total Unrestricted Revenues and Other Support	\$ 1,229,302	\$ -	\$ 45	\$ 1,229,347
FUNCTIONAL EXPENDITURES AND OTHER DEDUCTIONS				
Program services	\$ 1,293,500	\$ -	\$ -	\$ 1,293,500
Management and general	98,005	-	-	98,005
Fundraising	<u>42,915</u>	<u>-</u>	<u>-</u>	<u>42,915</u>
Total Functional Expenditures and Other Deductions	1,434,420	-	-	1,434,420
INCREASE (DECREASE) IN NET ASSETS	(205,118)	-	45	(205,073)
TRANSFERS TO UNRESTRICTED	-	-	-	-
NET ASSETS AT BEGINNING OF YEAR	<u>595,132</u>	<u>-</u>	<u>1,343,040</u>	<u>1,938,172</u>
NET ASSETS AT END OF YEAR	<u>\$ 390,014</u>	<u>\$ -</u>	<u>\$ 1,343,085</u>	<u>\$ 1,733,099</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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in net assets	\$ (205,073)
Adjustments to reconcile changes in net assets to cash provided by operating activities:	
Depreciation	35,805
Interest and dividends - restricted	(32)
(Gain) loss on realized gains and losses on securities	(135)
Contributions of stock	(4,888)
Changes in assets and liabilities:	
Accounts receivable	40,089
Pre-paid expenses	-
Deposits	-
Accounts payable and accrued expenses	<u>10,876</u>
Net Cash from Operating Activities	(123,358)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of securities	<u>5,023</u>
Net Cash from Investing Activities	5,023

CASH FLOWS FROM FINANCING ACTIVITIES

Net Cash from Financing Activities	-
Net Cash Increase (Decrease) for the Period	(118,335)
Cash at the Beginning of the Period	<u>883,593</u>
Cash at the End of the Period	<u>\$ 765,258</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, 2016

<u>Description</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Total</u>
Restoring Hope! assistance programs	\$ 345,188 *	\$ -	\$ -	\$ 345,188
Christmas programs	21,981 *	-	-	21,981
Client assistance programs	492,821 *	-	-	492,821
Salaries	292,059	62,062	10,952	365,073
Payroll taxes	21,848	4,643	819	27,310
Advertising	-	1,017	-	1,017
Bank service charges	1,140	242	43	1,425
Dues and subscriptions	24	5	1	30
Fund raising	-	-	30,155	30,155
Insurance	12,390	756	-	13,146
Office expenses	21,294	4,524	799	26,617
Postage	-	1,170	-	1,170
Professional fees	-	15,427	-	15,427
Repairs and maintenance	28,394	1,732	-	30,126
Special projects	473	1,105	-	1,578
Telephone	3,902	829	146	4,877
Utilities	18,240	1,113	-	19,353
Depreciation	33,746	2,059	-	35,805
Miscellaneous	<u>-</u>	<u>1,321</u>	<u>-</u>	<u>1,321</u>
Total Expenses	<u>\$ 1,293,500</u>	<u>\$ 98,005</u>	<u>\$ 42,915</u>	<u>\$ 1,434,420</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 financial assistance to prevent eviction, utility disconnection and temporary lodging for homeless clients as well as medical services. Job search assistance, financial management classes and referral to help community members with the tools to move toward self-sufficiency are available to everyone in the community.

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, 2016 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, 2016 were determined to be \$-0-.

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, 2016 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, 2016 was \$47,663.

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, 2016 represent unconditional promises to give as follows:

Unconditional promises to give	<u>\$ 22,816</u>
--------------------------------	------------------

NCM assesses pledges receivable and determines if certain pledges have become uncollectible. During the year ended December 31, 2016, NCM recognized \$-0- 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 one gift of stock during 2016 with a total value of \$4,888. All of the shares received in 2016 were also sold in 2016. Market value of investments at December 31, 2016 was \$-0-.

The following schedule summarizes investment returns for the year ended December 31, 2016:

Dividends and interest	\$ 2,103
Net realized and unrealized capital gains (losses)	<u>135</u>
Total investment return	<u>\$ 2,238</u>

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2016 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>(536,759)</u>
Remaining cost, property and equipment	<u>\$ 919,075</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 2016 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, December 31, 2015, and December 31, 2016 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, 2016. 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, 2016 was \$145.

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 2016, NCM distributed approximately 36,981 bags of food and approximately 74,969 items of clothing.

NOTE I – EVALUATION OF SUBSEQUENT EVENTS

NCM has evaluated subsequent events through October 15, 2017, 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, 2016

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	\$ 20,886	\$ 77,743	\$ -	\$ 98,629
Rent	34,881	109,353	-	144,234
Utilities	7,564	21,633	-	29,197
Transportation	6,372	5,604	-	11,976
Miscellaneous	6,321	1,509	-	7,830
Employment Services	1,559	-	-	1,559
Children's Services	1,504	-	-	1,504
Food and Non-Food Assistance	-	10,261	-	10,261
Children's Activities	-	3,154	-	3,154
Training/Life Skills	881	-	-	881
Communications Plan	-	-	512	512
Regular Communications	-	-	3,490	3,490
Medical	<u>1,206</u>	<u>30,755</u>	<u>-</u>	<u>31,961</u>
Total Expenses	<u>\$ 81,174</u>	<u>\$ 260,012</u>	<u>\$ 4,002</u>	<u>\$ 345,188</u>

NORCROSS COOPERATIVE MINISTRY, INC.

Itemization of Expenses for Program Services

Year Ended December 31, 2016

Christmas Program Services Expenses

<u>Expense Category</u>	<u>Amount</u>
Christmas Toys	\$ 8,509
Warm Hands, Warm Hearts	8,040
Miscellaneous	<u>5,432</u>
Total Expenses	<u>\$ 21,981</u>

Client Assistance Program Services Expenses

<u>Expense Category</u>	<u>Amount</u>
Food Pantry	\$ 74,466
Lodging Aid	158,551
Rent Assistance	158,247
Utility Assistance	101,209
Job Ministry	<u>348</u>
Total Expenses	<u>\$ 492,821</u>