

**NORCROSS COOPERATIVE MINISTRY, INC.
FINANCIAL STATEMENTS**

**and
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2017**

**with
INDEPENDENT AUDITORS' REPORT**

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INDEPENDENT AUDITORS' REPORT

Board of Directors of Norcross Cooperative Ministry, Inc.

We have audited the accompanying financial statements of Norcross Cooperative Ministry, Inc. (a nonprofit organization), (the "Organization"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, cash flows and functional expenses, 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.

Auditors' 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 auditors' 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 Organization'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 Organization'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, 2017, and the changes in net assets and cash flows for the year then ended in conformity 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 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.

Smith + Howard

July 17, 2018

NORCROSS COOPERATIVE MINISTRY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

Cash and cash equivalents	\$ 761,555
Pledges receivable, no allowance deemed necessary	13,767
Property and equipment, net	<u>882,195</u>
	<u>\$ 1,657,517</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 16,532
Payroll taxes payable	<u>4,785</u>
Total Liabilities	21,317
Net Assets - Unrestricted	<u>1,636,200</u>
	<u>\$ 1,657,517</u>

The accompanying notes are an integral part of these financial statements.

NORCROSS COOPERATIVE MINISTRY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Support				
Contributions, grants, and other	\$ 910,865	\$ -	\$ -	\$ 910,865
Governmental grant awards	<u>264,180</u>	<u>-</u>	<u>-</u>	<u>264,180</u>
Total Revenues and Support	1,175,045	-	-	1,175,045
Expenses:				
Program services	1,112,908	-	-	1,112,908
Management and general	128,299	-	-	128,299
Fundraising	<u>30,737</u>	<u>-</u>	<u>-</u>	<u>30,737</u>
Total Expenses	<u>1,271,944</u>	<u>-</u>	<u>-</u>	<u>1,271,944</u>
Decrease in Net Assets	(96,899)	-	-	(96,899)
Net Assets, Beginning of Year	390,014	-	1,343,085	1,733,099
Net Assets Reclassification (Note F)	<u>1,343,085</u>	<u>-</u>	<u>(1,343,085)</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 1,636,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,636,200</u>

The accompanying notes are an integral part of these financial statements.

NORCROSS COOPERATIVE MINISTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>& General</u>	<u>Fund</u> <u>Raising</u>	<u>Total</u>
Restoring Hope! Assistance programs	\$ 208,030	\$ -	\$ -	\$ 208,030
Christmas programs	12,789	-	-	12,789
Client assistance programs	446,179	-	-	446,179
Salaries	334,169	71,011	12,531	417,711
Payroll taxes	9,043	1,922	339	11,304
Advertising	300	-	16,803	17,103
Bank service charges	777	165	-	942
Dues and subscriptions	-	65	29	94
Fund raising	-	-	-	-
Insurance	7,299	1,551	-	8,850
Office expenses	16,130	3,428	277	19,835
Postage	-	686	605	1,291
Professional fees	-	20,457	-	20,457
Repairs and maintenance	19,304	1,232	-	20,536
Special projects	759	78	-	837
Telephone	4,111	870	153	5,134
Utilities	20,362	1,300	-	21,662
Depreciation	33,656	3,224	-	36,880
Miscellaneous	-	611	-	611
Bad debt expense	-	21,699	-	21,699
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 1,112,908</u>	<u>\$ 128,299</u>	<u>\$ 30,737</u>	<u>\$ 1,271,944</u>

The accompanying notes are an integral part of these financial statements.

**NORCROSS COOPERATIVE MINISTRY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017**

Cash Flows From Operating Activities:	
Decrease in Net Assets	\$ (96,899)
Adjustments to Reconcile Decrease in Net Assets to Cash Required by Operating Activities:	
Depreciation	36,880
Provisions for bad debts	21,699
Changes in assets and liabilities:	
Pledges receivable	(12,650)
Accounts receivable	2,581
Accounts payable and payroll taxes payable	<u>(2,977)</u>
Net Cash Required by Operating Activities	<u>(51,366)</u>
 Net Decrease in Cash and Cash Equivalents	 (51,366)
 Cash and Cash Equivalents at Beginning of Year	 <u>812,921</u>
 Cash and Cash Equivalents at End of Year	 <u><u>\$ 761,555</u></u>

The accompanying notes are an integral part of these financial statements.

NORCROSS COOPERATIVE MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A – DESCRIPTION OF ORGANIZATION

Norcross Cooperative Ministry, Inc. (NCM) was organized in 1988 as a nonprofit corporation in Georgia. NCM is comprised of 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 in-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 management and 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, financial assistance to prevent eviction and utility disconnection, temporary lodging for homelessness and medical services. In addition, NCM provides services to assist clients moving toward self-sufficiency, such as job search assistance, financial management classes, and referral services to clients within the community.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

NCM follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principal guidance in the United States of America (“GAAP”).

Financial Statement Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned and expenses are recognized when incurred.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. NCM records contributions of cash and other assets as unrestricted income unless specifically restricted by the donor. Restricted contributions are recorded as unrestricted revenue if the restriction expires in the same reporting period that the contribution is recorded.

NORCROSS COOPERATIVE MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Accordingly, net assets of NCM and changes therein are classified and reported 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 either by actions of NCM and/or the passage of time. NCM had no temporarily restricted net assets at December 31, 2017.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that will be maintained permanently by NCM. Generally, the donors of these assets permit NCM to use all or part of the income earned on related investments for general or specific purposes. NCM had no permanently restricted net assets at December 31, 2017.

Contributions

Contributions of donated assets are recorded at their fair market value in the year received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the year received. NCM records donated services if the fair market value of the donated services is readily available.

Unconditional promises to give are recognized as revenues in the period received and as pledges receivable. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Allowance is made for uncollectible pledges based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

NORCROSS COOPERATIVE MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

NCM considers all highly liquid investments with a maturity of three months or less to be cash equivalents. NCM's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and pledges receivable. At times, cash and cash equivalent balances exceed federally insured amounts. NCM believes it reduces risks associated with balances in excess of federally insured amounts by maintaining its cash with major financial institutions with sound financial standing. Management continually monitors receivable balances and believes that its exposure to credit is limited. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements.

Property and Equipment

Property and equipment are recorded at cost if purchased. Major renewals and betterments are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Estimated useful lives of the assets range from 3 to 30 years. Depreciation expense was \$36,880 for the year ended December 31, 2017.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

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

Income Taxes

NCM is recognized as an organization exempt from federal income tax under Internal Revenue Code Section 501(c)(3).

NORCROSS COOPERATIVE MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

NCM annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions NCM takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In the normal course of business, NCM is subject to examination by federal and state taxing authorities. NCM believes it is no longer subject to tax examinations for tax years ending before December 31, 2014.

During December 2017, the President of the United States of America signed into law the Tax Cuts and Jobs Act. The law is generally effective for the tax years beginning in 2018, and therefore NCM's current tax liability for any potential unrelated business income tax will not be affected until the year ending December 31, 2018. There are other changes to the tax law that may affect NCM but the magnitude of such changes has not been determined.

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2017:

Buildings and improvements	\$ 991,748
Land	352,090
Furniture and equipment	100,765
Cargo trailer	<u>1,231</u>
	1,445,834
Less: accumulated depreciation	<u>(563,639)</u>
	<u>\$ 882,195</u>

NORCROSS COOPERATIVE MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE D – 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 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 clients. In 2017, NCM distributed approximately 35,000 bags of food and approximately 60,000 items of clothing.

NOTE E – CONTINGENCIES

Certain federally funded programs are routinely subject to special audit. The audit reports, which are prepared by the auditors for NCM pursuant to specific regulatory requirements, are required to be submitted to both NCM and various federal agencies. Such agencies have the authority to determine liabilities as well as to limit, suspend, or terminate the federal programs. Since NCM does not expect claims to arise as a result of such audits, no provision for liabilities, if any, has been provided in the accompanying financial statements.

NOTE F – RECLASSIFICATION

During 2017, NCM management determined that certain contributions received in prior years originally designated as permanently restricted net assets were given with the intention of containing temporary restrictions which were met in prior years. As such, during 2017, \$1,343,085 of permanently restricted assets at December 31, 2016 were reclassified to unrestricted net assets as noted below.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, December 31, 2016	\$ 390,014	\$ -	\$ 1,343,085	\$ 1,733,099
Reclassification	1,343,085	-	(1,343,085)	-
Decrease in Net Assets	(96,899)	-	-	(96,899)
Balance, December 31, 2017	<u>\$ 1,636,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,636,200</u>

SUPPLEMENTARY INFORMATION

**NORCROSS COOPERATIVE MINISTRY, INC.
ITEMIZATION OF EXPENSES FOR PROGRAM SERVICES
YEAR ENDED DECEMBER 31, 2017**

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	\$ 4,145	\$ 44,947	\$ -	\$ 49,092
Rent	30,340	37,658	-	67,998
Utilities	3,288	14,058	-	17,346
Transportation	251	8,300	-	8,551
Miscellaneous	3,798	50	16,218	20,066
Employment services	1,634	-	-	1,634
Children's services	2,694	-	-	2,694
Food and non-food assistance	-	7,373	-	7,373
Children's activities	-	5,864	-	5,864
Training/life skills	144	-	-	144
Communications plan	-	-	1,286	1,286
Regular communications	-	-	2,905	2,905
Medical	-	23,077	-	23,077
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 46,294</u>	<u>\$ 141,327</u>	<u>\$ 20,409</u>	<u>\$ 208,030</u>

(Continued)

**NORCROSS COOPERATIVE MINISTRY, INC.
ITEMIZATION OF EXPENSES FOR PROGRAM SERVICES
YEAR ENDED DECEMBER 31, 2017**

(Continued)

Christmas Program Service Expenses

<u>Expense Category</u>	<u>Amount</u>
Christmas toys	\$ 7,318
Warm Hands, Warm Hearts	2,833
Miscellaneous	<u>2,638</u>
Total Expenses	<u>\$ 12,789</u>

Client Assistance Program Service Expenses

<u>Expense Category</u>	<u>Amount</u>
Food pantry	\$ 43,197
Lodging aid	177,795
Rent assistance	139,496
Utility assistance	84,970
Mortgage assistance	200
Job ministry	<u>521</u>
Total Expenses	<u>\$ 446,179</u>