

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

**and
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2018**

**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, 2018, and the related statements of activities, functional expenses, 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.

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, 2018, 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.

Correction of Errors

As discussed in Note I to the financial statements, the 2017 financial statements have been restated to correct certain misstatements. Our opinion is not modified with respect to these matters.

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 23, 2019

NORCROSS COOPERATIVE MINISTRY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Cash and cash equivalents	\$ 777,307
Pledges receivable, net	578,881
Property and equipment, net	<u>846,428</u>
	<u>\$ 2,202,616</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 9,560
Payroll taxes payable	<u>5,834</u>
Total Liabilities	<u>15,394</u>
Net Assets	
Without donor restrictions	1,750,155
With donor restrictions	<u>437,067</u>
Total Net Assets	<u>2,187,222</u>
	<u>\$ 2,202,616</u>

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

NORCROSS COOPERATIVE MINISTRY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Revenues and Support			
Contributions, grants, and other	\$ 646,499	\$ 33,500	\$ 679,999
Governmental grant awards	329,631	-	329,631
Net assets released from restrictions:	<u>166,609</u>	<u>(166,609)</u>	<u>-</u>
Total Revenues and Support	<u>1,142,739</u>	<u>(133,109)</u>	<u>1,009,630</u>
Expenses:			
Program services	1,132,128	-	1,132,128
Management and general	111,080	-	111,080
Fundraising	<u>32,015</u>	<u>-</u>	<u>32,015</u>
Total Expenses	<u>1,275,223</u>	<u>-</u>	<u>1,275,223</u>
Decrease in Net Assets	(132,484)	(133,109)	(265,593)
Net Assets, Beginning of Year as Restated (Note I)	<u>1,882,639</u>	<u>570,176</u>	<u>2,452,815</u>
Net Assets, End of Year	<u>\$ 1,750,155</u>	<u>\$ 437,067</u>	<u>\$ 2,187,222</u>

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

**NORCROSS COOPERATIVE MINISTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Christmas programs	\$ 5,754	\$ -	\$ -	\$ 5,754
Client assistance programs	673,501	-	-	673,501
Salaries	334,386	42,932	19,578	396,896
Payroll taxes	23,778	5,053	892	29,723
Advertising	5,530	15	10	5,555
Bank service charges	-	2,383	-	2,383
Dues and subscriptions	-	20	-	20
Insurance	4,436	2,662	1,774	8,872
Office expenses	4,557	2,734	1,823	9,114
Postage	811	486	324	1,621
Professional fees	7,794	21,339	3,118	32,251
Repairs and maintenance	20,378	13,585	-	33,963
Special projects	30	12	18	60
Telephone	2,443	1,466	977	4,886
Utilities	14,741	7,370	2,457	24,568
Depreciation	33,621	2,146	-	35,767
Miscellaneous	368	877	1,044	2,289
Bad debt expense	-	8,000	-	8,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 1,132,128</u>	<u>\$ 111,080</u>	<u>\$ 32,015</u>	<u>\$ 1,275,223</u>

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

**NORCROSS COOPERATIVE MINISTRY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018**

Cash Flows From Operating Activities:	
Decrease in Net Assets	\$ (265,593)
Adjustments to Reconcile Decrease in Net Assets to Cash Required by Operating Activities:	
Depreciation	35,767
Provisions for bad debts	8,000
Changes in assets and liabilities:	
Pledges receivable	243,501
Accounts payable and payroll taxes payable	<u>(5,923)</u>
Net Cash Provided by Operating Activities	<u>15,752</u>
 Net Increase in Cash and Cash Equivalents	 15,752
 Cash and Cash Equivalents at Beginning of Year	 <u>761,555</u>
 Cash and Cash Equivalents at End of Year	 <u>\$ 777,307</u>

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

NORCROSS COOPERATIVE MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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”).

New Accounting Standards

In August 2016, the FASB issues Accounting Standards Update (“ASU”) 2016-14 Presentation of Financial Statements of Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a nonprofit’s liquidity and availability of resources, expenses and investment returns, and cash flows. Main provisions of this guidance include: (a) presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of the underwater endowment funds and related disclosures, (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose a summary of the allocation methods used to allocate costs, (d) presenting investment return net of external and direct internal investment expenses, and (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources.

NORCROSS COOPERATIVE MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

Net assets, along with revenues, expenses, gains and losses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of NCM and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of NCM.

- Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. NCM does not have any net assets that are perpetual in nature.

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. Multi-year pledges are recorded net of a 4.5% net present value discount as of year-end. 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, 2018

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 \$35,767 for the year ended December 31, 2018.

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. NCM allocated salaries costs based on estimates of time and effort.

NORCROSS COOPERATIVE MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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

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, 2015.

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 – PLEDGES RECEIVABLE

At December 31, 2018, pledges receivable were as follows:

Pledges receivables due within five years	\$ 653,016
Allowance for doubtful accounts	(8,000)
Allowance for present value of multi-year pledges	<u>(66,135)</u>
	<u>\$ 578,881</u>

NORCROSS COOPERATIVE MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2018:

Buildings and improvements	\$ 991,748
Land	352,090
Furniture and equipment	100,765
Cargo trailer	1,231
	1,445,834
Less: accumulated depreciation	(599,406)
	\$ 846,428

NOTE E – 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 2018, NCM distributed approximately 35,000 bags of food and approximately 55,000 items of clothing.

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for time as of December 31, 2018. When the time restriction has past, NCM releases the funds to without donor restrictions.

NOTE G – 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.

**NORCROSS COOPERATIVE MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE H – LIQUIDITY

For purposes of analyzing resources available to meet general expenditures for 2019, NCM considers cash and pledges receivables that will be collected and available for activities that are ongoing and major to NCM. NCM structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Financial assets available for general expenditures, within one year are as follows:

Cash and cash equivalents	\$ 777,307
Pledges receivable, net	578,881
Less: pledges receivable due greater than one year	<u>(483,325)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 872,863</u></u>

NOTE I – CORRECTION OF ERROR

The effect of the restatement on the statement of financial position as of December 31, 2017 is as follows:

	Net Asset Balances		
	Without Donor Restrictions	With Donor Restrictions	Total
Beginning net assets at December 31, 2017, as originally stated	\$ 1,636,200	\$ -	\$ 1,636,200
Correction of errors in pledges receivable, net of discount	<u>246,439</u>	<u>570,176</u>	<u>816,615</u>
Beginning net assets at December 31, 2017, as restated	<u><u>\$ 1,882,639</u></u>	<u><u>\$ 570,176</u></u>	<u><u>\$ 2,452,815</u></u>

SUPPLEMENTARY INFORMATION

**NORCROSS COOPERATIVE MINISTRY, INC.
ITEMIZATION OF EXPENSES FOR PROGRAM SERVICES
YEAR ENDED DECEMBER 31, 2018**

Christmas Program Service Expenses

<u>Expense Category</u>	<u>Amount</u>
Christmas toys	\$ 3,030
Warm Hands, Warm Hearts	1,673
Miscellaneous	<u>1,051</u>
 Total Expenses	 <u>\$ 5,754</u>

Client Assistance Program Service Expenses

<u>Expense Category</u>	<u>Amount</u>
Food and non-food assistance	\$ 44,869
Lodging aid	272,843
Rent assistance	196,218
Utility assistance	96,457
Medical	49,933
Transportation	6,567
Children's services	1,236
Job ministry	2,694
Miscellaneous	<u>2,684</u>
 Total client assistance prior to salaries	 <u>673,501</u>
Salaries associated with client assistance program	<u>210,806</u>
	<u>\$ 884,307</u>