

**Christian Community Service Center, Inc.  
and  
Christian Community Service Center  
Memorial Endowment**

Consolidated Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2017 and 2016

# **Christian Community Service Center, Inc. and Christian Community Service Center Memorial Endowment**

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## Independent Auditors' Report

To the Board of Directors of  
Christian Community Service Center, Inc. and  
Christian Community Service Center Memorial Endowment:

We have audited the accompanying financial statements of Christian Community Service Center, Inc. (the Center) and Christian Community Service Center Memorial Endowment (the Endowment), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016 and the related consolidated statements of activities, of cash flows, and of functional expenses for the years then ended, and the related notes to the financial statements.

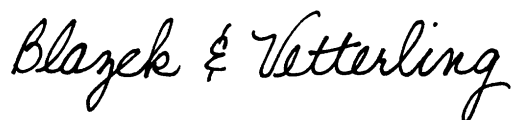
**Management's Responsibility for the Financial Statements** – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits 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 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 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 consolidated financial position of the Center and the Endowment as of December 31, 2017 and 2016 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



May 7, 2018

**Christian Community Service Center, Inc. and  
Christian Community Service Center Memorial Endowment**

Consolidated Statements of Financial Position as of December 31, 2017 and 2016

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	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents ( <i>Notes 2 and 4</i> )	\$ 1,167,764	\$ 1,086,220
Inventory	64,989	58,619
Prepaid expenses and other assets	13,429	13,429
Pledges receivable ( <i>Note 3</i> )	175,338	120,838
Cash restricted for capital improvements	1,710,168	140,857
Pledges receivable for capital improvements, net ( <i>Note 3</i> )	2,063,712	486,861
Investments ( <i>Note 4</i> )	2,825,410	2,327,733
Property, net ( <i>Note 5</i> )	<u>1,811,021</u>	<u>1,524,012</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 9,831,831</u></b>	<b><u>\$ 5,758,569</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 104,360	\$ 59,174
Construction payable	<u>                    </u>	<u>51,462</u>
Total liabilities	<u>104,360</u>	<u>110,636</u>
Commitments ( <i>Notes 10 and 13</i> )		
Net assets ( <i>Note 9</i> ):		
Unrestricted ( <i>Note 6</i> )	4,507,604	4,196,421
Temporarily restricted ( <i>Note 7</i> )	4,969,395	1,221,442
Permanently restricted ( <i>Note 8</i> )	<u>250,472</u>	<u>230,070</u>
Total net assets	<u>9,727,471</u>	<u>5,647,933</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 9,831,831</u></b>	<b><u>\$ 5,758,569</u></b>

*See accompanying notes to consolidated financial statements.*

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**Christian Community Service Center, Inc. and  
Christian Community Service Center Memorial Endowment**

Consolidated Statement of Activities for the year ended December 31, 2017

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
<b>OPERATING REVENUE:</b>				
Contributions	\$ 657,655	\$ 4,756,739		\$ 5,414,394
In-kind contributions <i>(Note 11)</i>	984,075			984,075
Special event	192,677	11,807		204,484
Direct donor benefit costs	(31,758)			(31,758)
Sunshine Resale Shop sales	326,986			326,986
Operating investment return <i>(Note 4)</i>	99,058	23,938		122,996
Other income	<u>65,157</u>			<u>65,157</u>
Total operating revenue	2,293,850	4,792,484		7,086,334
Net assets released from restrictions:				
Program expenditures	960,352	(960,352)		
Capital campaign expenditures	<u>174,000</u>	<u>(174,000)</u>		
Total	<u>3,428,202</u>	<u>3,658,132</u>		<u>7,086,334</u>
<b>OPERATING EXPENSES:</b>				
Program services:				
Emergency Services – Central	1,043,854			1,043,854
Emergency Services – Southwest	770,277			770,277
Sunshine Resale Shop	317,207			317,207
Back To School	299,247			299,247
Martha’s Way	175,867			175,867
JobNet	170,951			170,951
Louise J. Moran Vision Care	79,007			79,007
Jingle Bell Express	<u>62,186</u>			<u>62,186</u>
Total program services	2,918,596			2,918,596
Supporting services:				
Management and general	176,682			176,682
Fundraising	<u>350,182</u>			<u>350,182</u>
Total operating expenses	<u>3,445,460</u>			<u>3,445,460</u>
CHANGES IN NET ASSETS FROM OPERATIONS	(17,258)	3,658,132		3,640,874
<b>OTHER CHANGES IN NET ASSETS:</b>				
Contributions to Endowment	12,500		\$ 20,402	32,902
Endowment investment return <i>(Note 4)</i>	<u>315,941</u>	<u>89,821</u>		<u>405,762</u>
CHANGES IN NET ASSETS	311,183	3,747,953	20,402	4,079,538
Net assets, beginning of year	<u>4,196,421</u>	<u>1,221,442</u>	<u>230,070</u>	<u>5,647,933</u>
Net assets, end of year	<u>\$ 4,507,604</u>	<u>\$ 4,969,395</u>	<u>\$ 250,472</u>	<u>\$ 9,727,471</u>

*See accompanying notes to consolidated financial statements.*

**Christian Community Service Center, Inc. and  
Christian Community Service Center Memorial Endowment**

Consolidated Statement of Activities for the year ended December 31, 2016

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
<b>OPERATING REVENUE:</b>				
Contributions	\$ 678,574	\$ 1,419,205		\$ 2,097,779
In-kind contributions <i>(Note 11)</i>	775,425			775,425
Special event	206,147	7,936		214,083
Direct donor benefit costs	(33,803)			(33,803)
Sunshine Resale Shop sales	337,932			337,932
Operating investment return <i>(Note 4)</i>	97,396	23,501		120,897
Other income	<u>31,777</u>			<u>31,777</u>
Total operating revenue	2,093,448	1,450,642		3,544,090
Net assets released from restrictions:				
Program expenditures	815,808	(815,808)		
Capital campaign expenditures	<u>154,861</u>	<u>(154,861)</u>		
Total	<u>3,064,117</u>	<u>479,973</u>		<u>3,544,090</u>
<b>OPERATING EXPENSES:</b>				
Program services:				
Emergency Services – Central	996,227			996,227
Emergency Services – Southwest	547,006			547,006
Sunshine Resale Shop	305,738			305,738
Back To School	290,755			290,755
Martha’s Way	179,160			179,160
JobNet	162,856			162,856
Louise J. Moran Vision Care	71,930			71,930
Jingle Bell Express	<u>57,552</u>			<u>57,552</u>
Total program services	2,611,224			2,611,224
Supporting services:				
Management and general	194,478			194,478
Fundraising	<u>299,286</u>			<u>299,286</u>
Total operating expenses	<u>3,104,988</u>			<u>3,104,988</u>
CHANGES IN NET ASSETS FROM OPERATIONS	(40,871)	479,973		439,102
<b>OTHER CHANGES IN NET ASSETS:</b>				
Contributions to Endowment			\$ 4,435	4,435
Endowment investment return <i>(Note 4)</i>	<u>(10,500)</u>	<u>1,096</u>		<u>(9,404)</u>
CHANGES IN NET ASSETS	(51,371)	481,069	4,435	434,133
Net assets, beginning of year	<u>4,247,792</u>	<u>740,373</u>	<u>225,635</u>	<u>5,213,800</u>
Net assets, end of year	<u>\$ 4,196,421</u>	<u>\$ 1,221,442</u>	<u>\$ 230,070</u>	<u>\$ 5,647,933</u>

*See accompanying notes to consolidated financial statements.*

**Christian Community Service Center, Inc. and  
Christian Community Service Center Memorial Endowment**

Consolidated Statements of Cash Flows for the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 4,079,538	\$ 434,133
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	47,896	51,661
Net realized and unrealized gain on investments	(510,148)	(89,610)
Contributions for capital improvements	(3,766,594)	(805,062)
Contributions restricted for endowment	(32,902)	(4,435)
Changes in operating assets and liabilities:		
Inventory	(6,370)	3,768
Prepaid expenses and other assets		44,809
Pledges receivable	(54,500)	184,600
Accounts payable and accrued expenses	<u>(57,738)</u>	<u>31,690</u>
Net cash used by operating activities	<u>(300,818)</u>	<u>(148,446)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(45,832)	(45,277)
Proceeds from sales of investments	72,253	82,703
Net change in money market mutual funds	(13,950)	806,069
Change in cash restricted for capital improvements	(1,569,311)	(140,857)
Purchases of property	<u>(283,443)</u>	<u>(884,988)</u>
Net cash used by investing activities	<u>(1,840,283)</u>	<u>(182,350)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions for capital improvements	2,189,743	318,201
Contributions restricted for endowment	<u>32,902</u>	<u>4,435</u>
Net cash provided by financing activities	<u>2,222,645</u>	<u>322,636</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>81,544</b>	<b>(8,160)</b>
Cash and cash equivalents, beginning of year	<u>1,086,220</u>	<u>1,094,380</u>
Cash and cash equivalents, end of year	<u>\$ 1,167,764</u>	<u>\$ 1,086,220</u>

*See accompanying notes to consolidated financial statements.*

**Christian Community Service Center, Inc. and  
Christian Community Service Center Memorial Endowment**

Consolidated Statement of Functional Expenses for the year ended December 31, 2017

OPERATING EXPENSES	EMERGENCY SERVICES - CENTRAL	EMERGENCY SERVICES - SOUTHWEST	SUNSHINE RESALE SHOP	BACK TO SCHOOL	MARTHA'S WAY	JOBNET	LOUISE J. MORAN VISION CARE	JINGLE BELL EXPRESS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Direct assistance	\$ 774,836	\$ 608,582		\$ 262,948	\$ 13,370		\$ 48,313	\$ 25,267			\$1,733,316
Salaries and related costs	151,405	102,339	\$ 115,206	24,252	120,645	\$ 129,726	24,252	24,252	\$ 128,155	\$ 141,320	961,552
Professional and contract services	32,615	20,554	8,220	1,706	25,304			1,987	18,120	178,682	287,188
Occupancy	6,411	833	157,214	167	583	4,559	167	167	2,181		172,282
Supplies	12,753	14,374	2,648	4,731	4,986	7,532	1,015	4,791	2,224	4,653	59,707
Depreciation	26,860	8,260	2,832	768	2,316	3,740	772	768	1,460	120	47,896
Repairs and maintenance	18,988	7,433	3,724	736	1,557	13,122	736	1,163	5,193	366	53,018
Insurance	9,539	2,690	10,969	1,243	1,837	5,311	1,243	1,243	3,797	1,295	39,167
Printing and postage	2,208	1,438	1,665	1,399	2,207	1,372	1,364	1,388	1,616	22,301	36,958
Fees and licenses	2,307	892	6,810	391	600	1,730	376	391	11,164	770	25,431
Telephone	4,686	930	3,366	369	351	3,562	308	369	1,409	98	15,448
Transportation	1,038	1,693	842	129	2,020	120	355	41	56	30	6,324
Other	208	259	3,711	408	91	177	106	359	1,307	547	7,173
Total operating expenses	<u>\$1,043,854</u>	<u>\$ 770,277</u>	<u>\$ 317,207</u>	<u>\$ 299,247</u>	<u>\$ 175,867</u>	<u>\$ 170,951</u>	<u>\$ 79,007</u>	<u>\$ 62,186</u>	<u>\$ 176,682</u>	<u>\$ 350,182</u>	3,445,460
Direct donor benefit costs											<u>31,758</u>
Total											<u>\$3,477,218</u>

*Note:*

Program services as a percent of total operating expenses	85%
Management and general as a percent of total operating expenses	5%
Fundraising as a percent of total operating expenses	10%

*See accompanying notes to consolidated financial statements.*



**Christian Community Service Center, Inc. and  
Christian Community Service Center Memorial Endowment**

Consolidated Statement of Functional Expenses for the year ended December 31, 2016

OPERATING EXPENSES	EMERGENCY SERVICES - CENTRAL	EMERGENCY SERVICES - SOUTHWEST	SUNSHINE RESALE SHOP	BACK TO SCHOOL	MARTHA'S WAY	JOBNET	LOUISE J. MORAN VISION CARE	JINGLE BELL EXPRESS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Direct assistance	\$ 732,245	\$ 389,129		\$ 255,520	\$ 16,105		\$ 40,839	\$ 22,949			\$1,456,787
Salaries and related costs	150,503	103,281	\$ 115,096	23,745	121,200	\$ 125,325	23,755	23,745	\$ 126,802	\$ 133,857	947,309
Professional and contract services	33,912	22,239	11,634	1,820	24,823			1,470	17,230	135,246	248,374
Occupancy	6,763	878	145,918	175	615	4,597	176	176	1,995		161,293
Supplies	10,109	12,216	3,297	3,797	4,798	6,715	1,156	3,565	3,438	3,382	52,473
Depreciation	28,027	6,860	3,226	1,162	2,710	4,886	1,174	1,162	1,940	514	51,661
Repairs and maintenance	15,706	3,742	2,562	940	1,760	8,774	939	939	6,321	470	42,153
Insurance	9,113	2,753	10,145	1,354	1,989	5,156	1,354	1,354	5,820	1,537	40,575
Printing and postage	1,448	1,261	1,662	1,181	1,403	1,399	1,151	1,156	1,224	21,914	33,799
Fees and licenses	2,056	1,184	6,544	475	736	2,132	472	475	7,520	982	22,576
Property tax									19,615		19,615
Telephone	4,626	364	3,447	305	265	3,520	305	305	916	97	14,150
Transportation	1,640	2,662	1,068	125	2,661	220	451	43	1	278	9,149
Other	79	437	1,139	156	95	132	158	213	1,656	1,009	5,074
Total operating expenses	<u>\$ 996,227</u>	<u>\$ 547,006</u>	<u>\$ 305,738</u>	<u>\$ 290,755</u>	<u>\$ 179,160</u>	<u>\$ 162,856</u>	<u>\$ 71,930</u>	<u>\$ 57,552</u>	<u>\$ 194,478</u>	<u>\$ 299,286</u>	3,104,988
Direct donor benefit costs											33,803
Total											<u>\$3,138,791</u>

*Note:*

Program services as a percent of total operating expenses	84%
Management and general as a percent of total operating expenses	6%
Fundraising as a percent of total operating expenses	10%

*See accompanying notes to consolidated financial statements.*

## **Christian Community Service Center, Inc. and Christian Community Service Center Memorial Endowment**

Notes to Consolidated Financial Statements for the years ended December 31, 2017 and 2016

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### **NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization – Christian Community Service Center, Inc. (the Center) is an ecumenical, nonprofit corporation organized by member churches in the Houston area to provide food and services to people in need in the midtown and southwest Houston community. The Center provides services to the community through the following programs:

- *Emergency Services – Central* addresses the community’s basic needs by providing food, clothing, financial assistance and referrals to persons in crisis. This effort includes helping families avoid homelessness or substandard living conditions, providing medical assistance for eyeglasses, dental services and prescription medication, and distributing gently-used clothing.
- *Emergency Services – Southwest* addresses the community’s basic needs in the southwest quadrant of the Center’s service area. Food and financial assistance are provided as well as referral information to address urgent issues including employment, medical care and financial assistance.
- *Sunshine Resale Shop* sells donated used clothing, furniture and household items at a substantially reduced price to families in need served by the Center and others in the community.
- *Back To School* provides students (Pre-K to 8<sup>th</sup> grade) with comprehensive school supplies, new school attire, and gently used shoes and clothing to prepare them to achieve academic success. This year’s effort continued with strategic partnerships involving a variety of schools, making a concentrated impact on campuses in underserved areas.
- *Martha’s Way* is a 42-hour residential housekeeping training program designed to teach women to become entrepreneurs in the field of housekeeping. Job leads are shared with graduates, helping them to launch their businesses.
- *JobNet* helps job-seekers through skill-building workshops, computer training, job leads, resume development, business attire and access to office equipment. The program’s individualized design increases clients’ skills and confidence, especially those who face employment barriers including limited education, lack of computer skills and transportation challenges.
- *Louise J. Moran Vision Care* partners with local schools and the University of Houston School of Optometry to provide vision-screening services and prescription eyeglasses to students in need in grades Pre-K to 8.
- *Jingle Bell Express* provides children from low-income families with new toys and books for their Christmas celebrations. Each of the families also receive a food package for this special time of year. This uniquely designed program addresses several client needs including literacy and hunger.

Christian Community Service Center Memorial Endowment (the Endowment) was created in 1998 to provide financial support for the programs of the Center. The majority of the Endowment’s Board of Directors are appointed by the Board of Directors of the Center.

Basis of consolidation – These financial statements include the assets, liabilities, net assets, and activities of the Center and the Endowment (collectively CCSC). All balances and transactions between the consolidated entities have been eliminated.

Operating revenue and expenses – CCSC reports activities related to its Endowment, including bequest contributions that are transferred to the Endowment from the Center, as non-operating revenue and expenses. Endowment investment return approved by the Endowment Board of Directors for Center operations is reported as operating revenue. Revenue and expenses, except those related to the Endowment, are reported as operating.

Federal income tax status – The Center and the Endowment are exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code. The Center is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi). The Endowment is classified as a Type I supporting organization under §509(a)(3).

Cash equivalents include highly liquid financial instruments with original maturities of three months or less.

Inventory is reported at the lower of cost or fair value. For donated resale shop merchandise, cost is based on estimated fair value at the time of the donation.

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Amounts due in more than one year are discounted, if material, to estimate the present value of future cash flows. An allowance for uncollectible pledges receivable is provided when it is believed balances may not be collectible in full. Pledges receivable are written off against this allowance when management determines a receivable will not be collected.

Investments are reported at fair value. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of income is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in temporarily restricted net assets.

Property is reported at cost if purchased or at fair value at the date of gift if donated. CCSC capitalizes property in excess of \$5,000. Depreciation is provided using the straight-line method over estimated useful lives of 3 to 40 years.

Net asset classification – Contributions, investment return, and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions and investment return restricted by the donor for specific purposes or future time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.
- *Permanently restricted net assets* include contributions that donors have restricted in perpetuity. Investment return is restricted to purchase clothing and support the operations of CCSC.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support.

Donated materials, use of facilities and services are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial 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.

Special event revenue is recognized when the event occurs. Amounts received in advance are reported as deferred revenue until earned. Direct donor benefit costs represent the expenses recognized for food, beverages, facility rental, entertainment and items purchased for auction.

Resale Shop sales are recognized at the time of sale.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncements – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions* and underwater endowments will be grouped with *net assets with donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Qualitative and quantitative disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The ASU is effective for fiscal periods beginning after December 15, 2019. The Center plans to adopt this ASU for its fiscal year ending December 31, 2020. The Center has not yet determined the impact adoption of this ASU will have on the financial statements.

## NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2017</u>	<u>2016</u>
Bank deposits	\$ 2,800,071	\$ 1,183,784
TPF Money Market Mutual Fund	<u>77,861</u>	<u>43,293</u>
Total cash and cash equivalents	<u>\$ 2,877,932</u>	<u>\$ 1,227,077</u>

Bank deposits exceed the federally insured limit per depositor per institution. The Center places its cash with high credit quality financial institutions and evaluates the credit quality of the financial institutions on a periodic basis.

## NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable consist of the following:

	<u>2017</u>	<u>2016</u>
Capital pledges receivable	\$ 2,123,976	\$ 492,779
Operating pledges receivable	<u>175,338</u>	<u>120,838</u>
Total pledges receivable	2,299,314	613,617
Discount to net present value at 1.47% to 1.98%	(21,985)	(5,918)
Allowance for uncollectible pledges	<u>(38,279)</u>	<u>                    </u>
Pledges receivable, net	<u>\$ 2,239,050</u>	<u>\$ 607,699</u>

Pledges receivable at December 31, 2017 are expected to be collected as follows:

2018	\$ 1,114,874
2019	561,244
2020	444,446
2021	173,750
2022	<u>5,000</u>
Total pledges receivable	<u>\$ 2,299,314</u>

Pledges from one donor totaled approximately \$737,000 or 32% and \$100,000 or 16% at December 31, 2017 and 2016, respectively. Contributions from one donor totaled approximately \$930,000 or 17% during 2017.

## NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.

- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2017 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Pooled investment funds:				
TPF Large-Cap Equity Fund (a)		\$ 1,154,414		\$ 1,154,414
TPF International Equity Fund (b)		710,936		710,936
TPF Defensive Strategies Pooled Fund (c)		332,194		332,194
TPF Small-Cap Equity Fund (d)		300,691		300,691
TPF Emerging Markets Equity Fund (e)		250,526		250,526
TPF Money Market Mutual Fund (f)		60,618		60,618
TPF Fixed-Income Fund (g)		<u>16,031</u>		<u>16,031</u>
Total investments measured at fair value		2,825,410		2,825,410
Cash equivalent:				
TPF Money Market Mutual Fund (b)	<u>                    </u>	<u>77,861</u>	<u>                    </u>	<u>77,861</u>
Total assets measured at fair value	<u>\$ 0</u>	<u>\$ 2,903,271</u>	<u>\$ 0</u>	<u>\$ 2,903,271</u>

Assets measured at fair value at December 31, 2016 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Pooled investment funds:				
TPF Large-Cap Equity Fund (a)		\$ 931,649		\$ 931,649
TPF International Equity Fund (b)		568,928		568,928
TPF Defensive Strategies Pooled Fund (c)		321,619		321,619
TPF Small-Cap Equity Fund (d)		248,470		248,470
TPF Emerging Markets Equity Fund (e)		194,848		194,848
TPF Money Market Mutual Fund (f)		46,668		46,668
TPF Fixed-Income Fund (g)		<u>15,551</u>		<u>15,551</u>
Total investments measured at fair value		2,327,733		2,327,733
Cash equivalent:				
TPF Money Market Mutual Fund (b)	<u>                    </u>	<u>43,293</u>	<u>                    </u>	<u>43,293</u>
Total assets measured at fair value	<u>\$ 0</u>	<u>\$ 2,371,026</u>	<u>\$ 0</u>	<u>\$ 2,371,026</u>

The pooled investment funds are not traded on a public exchange and are primarily invested in domestic and international equity and debt securities traded in public markets. The pooled investment funds are described as follows:

- (a) This fund is a broadly diversified portfolio of mostly U. S. and some international stocks that seek to provide opportunities for long-term capital growth, while avoiding speculation and undue risk. Withdrawals may be made on the last business day of the month by written request with one-day notice.

- (b) This fund is a broadly diversified portfolio of large, high quality non-U. S. companies that are either ordinary shares traded on securities exchanges around the world or American Depository Receipts traded on U. S. exchanges. Withdrawals may be made on the last business day of the month by written request with one-day notice.
- (c) This fund is a broadly diversified portfolio of primarily institutional-class mutual funds employing a variety of alternative investment strategies, including merger arbitrage, put and call options and long/short equity. Withdrawals may be made on the last business day of the month by written request with one-day notice.
- (d) This fund is a blended-style portfolio of small U. S. companies allocated among managers with distinct growth, value and core strategies. Withdrawals may be made on the last business day of the month by written request with one-day notice.
- (e) This fund is a broadly diversified portfolio of smaller companies in markets with greater political and economic instability, presenting more exposure to operational and liquidity risks than in developed countries, and with currency risks that are not easily hedged. Withdrawals may be made on the last business day of the month by written request with one-day notice.
- (f) This fund is designed to achieve a competitive rate of current income with maximum safety and liquidity. There are no restrictions on withdrawals.
- (g) This fund is an actively managed, diversified bond portfolio with a total return strategy designed to serve as the fixed-income component for most permanent funds. Withdrawals may be made on the last business day of the month by written request with one-day notice.

Pooled investment funds are valued at net asset values provided by fund management and by the annual audited financial statements of the Texas Presbyterian Foundation (TPF), an ecumenical nonprofit foundation that holds and manages the pooled investments.

This valuation method may produce a fair value that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while CCSC believes its valuation method is appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investment return includes earnings on cash and cash equivalents and consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 18,610	\$ 21,883
Net realized and unrealized gain	<u>510,148</u>	<u>89,610</u>
Total investment return	<u>\$ 528,758</u>	<u>\$ 111,493</u>

Investment management and custodial fees between .5% and .7% of CCSC's average monthly fund assets are deducted from CCSC's share of investment return of the total portfolio.

## NOTE 5 – PROPERTY

Property consists of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 1,030,130	\$ 1,030,130
Buildings and leasehold improvements	884,310	884,310
Equipment	258,072	258,072
Vehicles	39,910	39,910
Construction in progress	<u>408,850</u>	<u>73,945</u>
Total property, at cost	2,621,272	2,286,367
Accumulated depreciation	<u>(810,251)</u>	<u>(762,355)</u>
Property, net	<u>\$ 1,811,021</u>	<u>\$ 1,524,012</u>

## NOTE 6 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Designated by Board of Directors for general endowment	\$ 2,800,933	\$ 2,439,677
Property, net	1,402,171	1,450,067
Undesignated	217,061	218,100
Designated by Board of Directors for capital project	53,862	
Designated by Board of Directors for special projects	<u>33,577</u>	<u>88,577</u>
Total unrestricted net assets	<u>\$ 4,507,604</u>	<u>\$ 4,196,421</u>

## NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Capital campaign	\$ 4,242,795	\$ 650,201
Accumulated earnings:		
General endowment	472,142	399,214
Freeman Fund for blankets and clothing	55,779	40,082
Emily Fund	1,631	435
Disaster	98,049	
Back To School program	75,000	30,359
Louise J. Moran Vision Care	23,149	100,351
Other	<u>850</u>	<u>800</u>
Total temporarily restricted net assets	<u>\$ 4,969,395</u>	<u>\$ 1,221,442</u>



## NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are invested to support the following:

	<u>2017</u>	<u>2016</u>
General endowment	\$ 184,687	\$ 164,385
Freeman Fund for blankets and clothing	58,175	58,175
Emily’s Fund for basic needs	<u>7,610</u>	<u>7,510</u>
Total permanently restricted net assets	<u>\$ 250,472</u>	<u>\$ 230,070</u>

## NOTE 9 – ENDOWMENT

The Endowment was established to assist the Center in meeting its operating needs and includes donor-restricted endowments and a board-designated endowment created by the Center. The Board of Directors of the Endowment has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Endowment classifies the original value of gifts donated to the permanent endowment as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Endowment in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Endowment considers the following factors in making a determination to appropriate accumulated donor-restricted endowment funds:

- The duration and preservation of the funds
- The purposes of the Center and the donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Center
- The investment policies of the Endowment

Endowment net asset composition as of December 31, 2017 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment		\$ 529,552	\$ 250,472	\$ 780,024
Board-designated general endowment	<u>\$ 2,800,933</u>			<u>2,800,933</u>
Endowment net assets	<u>\$ 2,800,933</u>	<u>\$ 529,552</u>	<u>\$ 250,472</u>	<u>\$ 3,580,957</u>

Endowment net asset composition as of December 31, 2016 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment		\$ 439,731	\$ 230,070	\$ 669,801
Board-designated general endowment	<u>\$ 2,439,677</u>			<u>2,439,677</u>
Endowment net assets	<u>\$ 2,439,677</u>	<u>\$ 439,731</u>	<u>\$ 230,070</u>	<u>\$ 3,109,478</u>

Changes in Endowment net assets are as follows:

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, January 1, 2016	\$ 2,424,981	\$ 438,635	\$ 225,635	\$ 3,089,251
Investment return:				
Interest on loan to CCSC	25,196			25,196
Interest and dividends	16,886	4,829		21,715
Net realized and unrealized gain	<u>69,842</u>	<u>19,768</u>		<u>89,610</u>
Total investment return	<u>111,924</u>	<u>24,597</u>		<u>136,521</u>
Contributions and additions			4,435	4,435
Appropriation for distribution	<u>(97,228)</u>	<u>(23,501)</u>		<u>(120,729)</u>
Endowment net assets, December 31, 2016	<u>2,439,677</u>	<u>439,731</u>	<u>230,070</u>	<u>3,109,478</u>
Investment return:				
Interest on loan to CCSC	33,066			33,066
Interest and dividends	14,095	4,098		18,193
Net realized and unrealized gain	<u>400,487</u>	<u>109,661</u>		<u>510,148</u>
Total investment return	<u>447,648</u>	<u>113,759</u>		<u>561,407</u>
Contributions and additions	12,500		20,402	32,902
Appropriation for distribution	<u>(98,892)</u>	<u>(23,938)</u>		<u>(122,830)</u>
Endowment net assets, December 31, 2017	<u>\$ 2,800,933</u>	<u>\$ 529,552</u>	<u>\$ 250,472</u>	<u>\$ 3,580,957</u>

#### Investment Policies and Strategy

The purpose of the Endowment is to provide long-term financial support to the Center. Accordingly, the Endowment's strategic asset allocation is based on this long-term perspective. The Endowment Board of Directors recognizes the difficulty of achieving the Endowment's investment objectives in light of the uncertainties and complexities of investment markets. It also recognizes that some risk must be assumed to achieve long-term investment objectives. The target performance objective is that, over a complete market cycle, the overall annualized total return should outperform their relevant benchmarks. Performance objectives have been based upon the assumption that future rates of return will approximate historical rates of return experienced for various asset classes. The Endowment Board of Directors realizes that market performance varies and that a real rate of return may not be achievable during short-term periods.

#### Spending Policy

Annually, the Endowment distributes 4% of the average market value of the Endowment's funds under management for the preceding twelve quarters. The annual distribution is disbursed over four quarters. Excluded from funds under management are any restricted funds that do not qualify as distributable for the upcoming year. The Freeman Fund distributes income on a quarterly basis to provide warm clothing for the needy. In conjunction with the authorization of the annual distribution, the Endowment Board of Directors reviews this policy in light of current and expected market conditions and the rate of inflation. Other distributions may be made from time to time at the discretion of the Endowment Board of

Directors. These policies are consistent with CCSC's objectives to preserve the corpus of the Endowment, grow the total value of the Endowment through investments and gifts, and financially support the mission and activities of the Center.

#### Loan to the Center

In January 2016, the Endowment loaned the Center \$800,000 to fund the acquisition of land on which the Center plans to construct a new programmatic and administrative facility. The loan bears interest at 4.29% and is payable in installments of \$14,946 until January 2036 at which time any unpaid principal and interest is due. During 2017 and 2016, the Endowment recognized and the Center incurred interest of approximately \$33,000 and \$25,000, respectively, on the loan. These amounts have been eliminated in consolidation.

#### **NOTE 10 – LEASES**

The Center has noncancellable operating leases for its resale shop and copy machine. Future minimum lease payments are as follows:

2018	\$ 115,913
2019	<u>88,942</u>
Total	<u>\$ 204,855</u>

Total rent expense was approximately \$150,000 in 2017 and \$139,000 in 2016.

#### **NOTE 11 – CONTRIBUTED SERVICES AND MATERIALS**

The majority of food distributed by the Center is received by contributions from donors and from discounted food provided by a local food bank. The estimated fair value of these contributions is recognized in the financial statements as contribution revenue and program expense. The estimated fair value of food donated is based on an average fair value per standard bag of food distributed. Donated clothing is used in the Center's Emergency Services and Back To School programs and is valued based on an estimated fair value per item of clothing distributed. The total value of contributed food was approximately \$846,000 in 2017 and \$603,800 in 2016. The total value of contributed clothing was approximately \$138,000 in 2017 and \$171,500 in 2016.

A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration and clerical support for which no amount has been recognized in the financial statements because the donated services did not meet the criteria for recognition under generally accepted accounting principles. The estimated hours contributed as volunteer services approximated 42,100 and 43,500 hours, respectively, in 2017 and 2016.

#### **NOTE 12 – EMPLOYEE BENEFIT PLAN**

The Center maintains a defined contribution §403(b) plan. After one year of service, the Center contributes 3% of each qualified employee's salary to the plan and also matches 50% of employee contributions up to 2% of compensation. Employees are immediately fully vested in the Center's contributions. The Center contributed approximately \$33,500 and \$31,200 to the plan in 2017 and 2016, respectively.

**NOTE 13 – COMMITMENTS**

The Center began a capital campaign and entered into contracts with an architect and a fundraising consultant. At December 31, 2017, the amount of unfunded commitments is approximately \$272,000.

**NOTE 14 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 7, 2018, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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