

**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, 2015 and 2014

**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, 2015 and 2014 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.

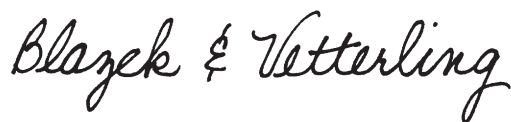
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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, 2015 and 2014 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.



June 14, 2016

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

Consolidated Statements of Financial Position as of December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents (<i>Notes 2 and 4</i>)	\$ 1,094,380	\$ 1,297,379
Inventory	62,387	62,140
Prepaid expenses and other assets	58,238	11,284
Pledges receivable (<i>Note 3</i>)	305,438	376,138
Investments (<i>Note 4</i>)	3,081,618	3,212,088
Property, net (<i>Note 5</i>)	<u>639,223</u>	<u>642,441</u>
TOTAL ASSETS	<u>\$ 5,241,284</u>	<u>\$ 5,601,470</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 27,484</u>	<u>\$ 29,970</u>
Net assets (<i>Note 9</i>):		
Unrestricted (<i>Note 6</i>)	4,247,792	4,364,701
Temporarily restricted (<i>Note 7</i>)	740,373	989,569
Permanently restricted (<i>Note 8</i>)	<u>225,635</u>	<u>217,230</u>
Total net assets	<u>5,213,800</u>	<u>5,571,500</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,241,284</u>	<u>\$ 5,601,470</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, 2015

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
OPERATING REVENUE:				
Contributions	\$ 593,743	\$ 679,757		\$ 1,273,500
In-kind contributions <i>(Note 11)</i>	730,476			730,476
Special event	204,872	17,331		222,203
Direct donor benefit costs	(32,410)			(32,410)
Sunshine Resale Shop sales	375,906			375,906
Operating investment return <i>(Note 4)</i>	87,929	21,346		109,275
Other income	<u>18,352</u>			<u>18,352</u>
Total operating revenue	1,978,868	718,434		2,697,302
Net assets released from restrictions:				
Program expenditures	<u>938,751</u>	<u>(938,751)</u>		
Total	<u>2,917,619</u>	<u>(220,317)</u>		<u>2,697,302</u>
OPERATING EXPENSES:				
Program services:				
Emergency Services – Central	948,959			948,959
Emergency Services – Southwest	552,148			552,148
Back To School	346,495			346,495
Sunshine Resale Shop	294,061			294,061
Martha’s Way	165,182			165,182
JobNet	153,555			153,555
Louise J. Moran Vision Care	66,927			66,927
Jingle Bell Express	<u>62,604</u>			<u>62,604</u>
Total program services	2,589,931			2,589,931
Supporting services:				
Management and general	161,843			161,843
Fundraising	<u>167,260</u>			<u>167,260</u>
Total operating expenses	<u>2,919,034</u>			<u>2,919,034</u>
CHANGES IN NET ASSETS FROM OPERATIONS	(1,415)	(220,317)		(221,732)
OTHER CHANGES IN NET ASSETS:				
Contributions to Endowment			\$ 8,405	8,405
Endowment investment return <i>(Note 4)</i>	<u>(115,494)</u>	<u>(28,879)</u>		<u>(144,373)</u>
CHANGES IN NET ASSETS	(116,909)	(249,196)	8,405	(357,700)
Net assets, beginning of year	<u>4,364,701</u>	<u>989,569</u>	<u>217,230</u>	<u>5,571,500</u>
Net assets, end of year	<u>\$ 4,247,792</u>	<u>\$ 740,373</u>	<u>\$ 225,635</u>	<u>\$ 5,213,800</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, 2014

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
OPERATING REVENUE:				
Contributions	\$ 582,580	\$ 1,229,341		\$ 1,811,921
In-kind contributions (<i>Note 11</i>)	936,649			936,649
Special event	170,637	14,517		185,154
Direct donor benefit costs	(29,151)			(29,151)
Sunshine Resale Shop sales	368,530			368,530
Operating investment return (<i>Note 4</i>)	<u>76,761</u>	<u>18,397</u>		<u>95,158</u>
Total operating revenue	2,106,006	1,262,255		3,368,261
Net assets released from restrictions:				
Program expenditures	<u>912,009</u>	<u>(912,009)</u>		<u> </u>
Total	<u>3,018,015</u>	<u>350,246</u>		<u>3,368,261</u>
OPERATING EXPENSES:				
Program services:				
Emergency Services – Central	1,116,872			1,116,872
Emergency Services – Southwest	569,917			569,917
Back To School	326,988			326,988
Sunshine Resale Shop	291,881			291,881
Martha’s Way	144,422			144,422
JobNet	141,566			141,566
Louise J. Moran Vision Care	70,500			70,500
Jingle Bell Express	<u>68,149</u>			<u>68,149</u>
Total program services	2,730,295			2,730,295
Supporting services:				
Management and general	182,035			182,035
Fundraising	<u>143,249</u>			<u>143,249</u>
Total operating expenses	<u>3,055,579</u>			<u>3,055,579</u>
CHANGES IN NET ASSETS FROM OPERATIONS	(37,564)	350,246		312,682
OTHER CHANGES IN NET ASSETS:				
Contributions to Endowment	3,481		\$ 12,050	15,531
Endowment investment return (<i>Note 4</i>)	<u>46,754</u>	<u>14,040</u>		<u>60,794</u>
CHANGES IN NET ASSETS	12,671	364,286	12,050	389,007
Net assets, beginning of year	<u>4,352,030</u>	<u>625,283</u>	<u>205,180</u>	<u>5,182,493</u>
Net assets, end of year	<u>\$ 4,364,701</u>	<u>\$ 989,569</u>	<u>\$ 217,230</u>	<u>\$ 5,571,500</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (357,700)	\$ 389,007
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	50,883	38,139
Net realized and unrealized (gain) loss on investments	67,026	(121,305)
Contributions restricted for endowment	(8,405)	(12,050)
Changes in operating assets and liabilities:		
Inventory	(247)	3,330
Prepaid expenses and other assets	(46,954)	(2,927)
Pledges receivable	70,700	(222,976)
Accounts payable and accrued expenses	<u>(2,486)</u>	<u>3,257</u>
Net cash provided (used) by operating activities	<u>(227,183)</u>	<u>74,475</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(221,337)	(413,890)
Proceeds from sales of investments	916,105	472,416
Net change in money market mutual funds	(631,324)	(1,664)
Purchases of property	<u>(47,665)</u>	<u>(152,973)</u>
Net cash provided (used) by investing activities	<u>15,779</u>	<u>(96,111)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for endowment	<u>8,405</u>	<u>12,050</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(202,999)	(9,586)
Cash and cash equivalents, beginning of year	<u>1,297,379</u>	<u>1,306,965</u>
Cash and cash equivalents, end of year	<u>\$ 1,094,380</u>	<u>\$ 1,297,379</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, 2015

<u>EXPENSES</u>	<u>EMERGENCY SERVICES- CENTRAL</u>	<u>EMERGENCY SOUTHWEST</u>	<u>SERVICES- SCHOOL</u>	<u>SUNSHINE BACK TO SHOP</u>	<u>RESALE WAY</u>	<u>MARTHA'S JOBNET</u>	<u>LOUISE J. VISION CARE</u>	<u>JINGLE MORAN EXPRESS</u>	<u>MANAGEMENT BELL GENERAL</u>	<u>AND FUNDRAISING</u>	<u>TOTAL</u>
Direct assistance	\$ 675,817	\$ 387,621	\$ 304,948		\$ 12,667		\$ 33,315	\$ 21,291			\$1,435,659
Salaries and related costs	150,768	104,774	27,119	\$ 98,807	109,226	\$ 109,847	24,970	27,200	\$ 117,974	\$ 128,223	898,908
Occupancy	6,772	879	176	142,602	616	4,710	176	176	2,018		158,125
Professional and contract services	34,790	23,736	2,034	16,037	24,246			1,982	17,420	159	120,404
Supplies	14,193	16,007	5,875	5,403	5,772	6,973	1,894	5,134	2,919	3,516	67,686
Depreciation	28,577	5,814	970	3,028	2,477	5,711	970	970	2,050	316	50,883
Repairs and maintenance	16,462	3,592	1,084	2,440	1,943	12,866	1,084	1,084	5,140	448	46,143
Printing and postage	1,988	1,603	1,444	1,800	1,881	1,708	1,409	1,438	1,582	27,004	41,857
Insurance	8,426	2,342	1,183	9,450	1,753	4,589	1,183	1,183	3,540	1,422	35,071
Fees and licenses	4,209	2,461	1,054	7,559	1,451	2,691	1,180	1,281	6,622	5,416	33,924
Telephone	4,791	374	316	3,138	252	3,642	316	316	945	100	14,190
Transportation	1,709	2,421	17	1,784	2,637	409	199	136	156	50	9,518
Other	457	524	275	2,013	261	409	231	413	1,477	606	6,666
Total operating expenses	<u>\$ 948,959</u>	<u>\$ 552,148</u>	<u>\$ 346,495</u>	<u>\$ 294,061</u>	<u>\$ 165,182</u>	<u>\$ 153,555</u>	<u>\$ 66,927</u>	<u>\$ 62,604</u>	<u>\$ 161,843</u>	<u>\$ 167,260</u>	2,919,034
Direct donor benefit costs											32,410
Total expenses											<u>\$2,951,444</u>

Note:

Program services as a percent of total operating expenses	89%
Management and general as a percent of total operating expenses	5%
Fundraising as a percent of total operating expenses	6%

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, 2014

<u>EXPENSES</u>	<u>EMERGENCY SERVICES- CENTRAL</u>	<u>EMERGENCY SERVICES- SOUTHWEST</u>	<u>BACK TO SCHOOL</u>	<u>SUNSHINE RESALE SHOP</u>	<u>MARTHA'S WAY</u>	<u>JOBNET</u>	<u>LOUISE J. MORAN VISION CARE</u>	<u>JINGLE BELL EXPRESS</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Direct assistance	\$ 825,151	\$ 423,226	\$ 279,336		\$ 9,907	\$ 445	\$ 35,908	\$ 20,878			\$1,594,851
Salaries and related costs	149,459	78,125	29,720	\$ 92,698	89,767	91,563	28,269	29,720	\$ 134,053	\$ 109,172	832,546
Occupancy	8,973	1,165	233	144,130	807	5,012	233	233	2,152		162,938
Professional and contract services	34,081	23,577	1,820	15,212	20,817	506	21	2,045	16,315	266	114,660
Supplies	5,037	3,024	1,308	2,938	3,358	5,217	238	682	2,752	1,755	26,309
Depreciation	21,384	2,820	988	1,469	1,128	6,226	503	987	2,430	204	38,139
Repairs and maintenance	50,469	29,622	9,697	6,318	12,261	20,793	1,627	9,697	10,410	2,129	153,023
Printing and postage	2,121	1,363	1,197	1,764	1,511	1,152	1,111	1,136	1,289	26,308	38,952
Insurance	9,975	2,787	1,409	12,229	1,744	4,991	1,409	1,409	3,547	1,342	40,842
Fees and licenses	2,688	735	543	6,673	818	1,639	548	548	6,238	1,625	22,055
Telephone	4,692	352	356	2,982	491	3,439	328	328	1,094	93	14,155
Transportation	2,189	2,552	49	2,217	1,655	216	176	48	207	57	9,366
Other	<u>653</u>	<u>569</u>	<u>332</u>	<u>3,251</u>	<u>158</u>	<u>367</u>	<u>129</u>	<u>438</u>	<u>1,548</u>	<u>298</u>	<u>7,743</u>
Total operating expenses	<u>\$1,116,872</u>	<u>\$ 569,917</u>	<u>\$ 326,988</u>	<u>\$ 291,881</u>	<u>\$ 144,422</u>	<u>\$ 141,566</u>	<u>\$ 70,500</u>	<u>\$ 68,149</u>	<u>\$ 182,035</u>	<u>\$ 143,249</u>	3,055,579
Direct donor benefit costs											<u>29,151</u>
Total expenses											<u>\$3,084,730</u>

Note:

Program services as a percent of total operating expenses	89%
Management and general as a percent of total operating expenses	6%
Fundraising as a percent of total operating expenses	5%

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, 2015 and 2014

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.
- *Back To School* provides students (Pre-K to 8th 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.
- *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.
- *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 elementary schools and the University of Houston School of Optometry to provide vision-screening services and prescription eyeglasses to students in need.
- *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.

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 events 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.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2015</u>	<u>2014</u>
Bank deposits	\$ 1,021,634	\$ 1,225,764
TPF Money Market Mutual Fund	<u>72,746</u>	<u>71,615</u>
Total cash and cash equivalents	<u>\$ 1,094,380</u>	<u>\$ 1,297,379</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 at December 31, 2015 are expected to be collected as follows:

2016	\$ 195,438
2017	55,000
2018	<u>55,000</u>
Total pledges receivable	<u>\$ 305,438</u>

At December 31, 2015, 92% or \$280,838 of pledges were due from three donors.

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, 2015 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)		\$ 883,347		\$ 883,347
TPF Money Market Mutual Fund (b)		852,737		852,737
TPF International Equity Fund (c)		614,942		614,942
TPF Defensive Strategies Pooled Fund (d)		317,831		317,831
TPF Small-Cap Equity Fund (e)		215,329		215,329
TPF Emerging Markets Equity Fund (f)		183,222		183,222
TPF Fixed-Income Fund (g)		<u>14,210</u>		<u>14,210</u>
Total investments measured at fair value		3,081,618		3,081,618
Cash equivalent:				
TPF Money Market Mutual Fund (b)		<u>72,746</u>		<u>72,746</u>
Total assets measured at fair value	<u>\$ 0</u>	<u>\$ 3,154,364</u>	<u>\$ 0</u>	<u>\$ 3,154,364</u>

Assets measured at fair value at December 31, 2014 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)		\$ 1,107,922		\$ 1,107,922
TPF Money Market Mutual Fund (b)		221,413		221,413
TPF International Equity Fund (c)		477,219		477,219
TPF Defensive Strategies Pooled Fund (d)		325,380		325,380
TPF Small-Cap Equity Fund (e)		230,091		230,091
TPF Emerging Markets Equity Fund (f)		221,566		221,566
TPF Fixed-Income Fund (g)		<u>628,497</u>		<u>628,497</u>
Total investments measured at fair value		3,212,088		3,212,088
Cash equivalent:				
TPF Money Market Mutual Fund (b)		<u>71,615</u>		<u>71,615</u>
Total assets measured at fair value	<u>\$ 0</u>	<u>\$ 3,283,703</u>	<u>\$ 0</u>	<u>\$ 3,283,703</u>

Pooled investment funds are valued at net asset values provided by the 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.

The pooled investments are not traded on a public exchange and are primarily invested in domestic and international equity and debt securities traded in the public markets. The pooled 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 designed to achieve a competitive rate of current income with maximum safety and liquidity. There are no restrictions on withdrawals.
- (c) 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.
- (d) 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.
- (e) 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.
- (f) 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.
- (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.

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>2015</u>	<u>2014</u>
Interest and dividends	\$ 31,928	\$ 34,647
Net realized and unrealized gain (loss)	<u>(67,026)</u>	<u>121,305</u>
Total investment return	<u>\$ (35,098)</u>	<u>\$ 155,952</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>2015</u>	<u>2014</u>
Land	\$ 179,600	\$ 179,600
Buildings and leasehold improvements	884,310	820,042
Equipment	246,097	246,097
Vehicles	39,910	39,910
Construction in progress	<u> </u>	<u>16,603</u>
Total property, at cost	1,349,917	1,302,252
Accumulated depreciation	<u>(710,694)</u>	<u>(659,811)</u>
Property, net	<u>\$ 639,223</u>	<u>\$ 642,441</u>

NOTE 6 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Designated by Board of Directors for general endowment	\$ 2,424,981	\$ 2,540,475
Undesignated	1,027,385	965,582
Property, net	639,223	642,441
Designated by Board of Directors for special projects	<u>156,203</u>	<u>216,203</u>
Total unrestricted net assets	<u>\$ 4,247,792</u>	<u>\$ 4,364,701</u>

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Accumulated earnings:		
General endowment	\$ 401,654	\$ 428,359
Freeman Fund for blankets and clothing	36,981	39,155
Louise J. Moran Vision Care	165,000	220,000
Back To School program	75,000	32,500
Martha's Way	40,838	43,338
Emergency Services – Southwest	20,100	148,200
Emergency Services – Central upgrades		50,000
Emergency Services – Southwest rental and utility assistance		15,517
Other	<u>800</u>	<u>12,500</u>
Total temporarily restricted net assets	<u>\$ 740,373</u>	<u>\$ 989,569</u>

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are invested to support the following:

	<u>2015</u>	<u>2014</u>
General endowment	\$ 161,950	\$ 159,055
Freeman Fund for blankets and clothing	58,175	58,175
Emily’s Fund for basic needs	<u>5,510</u>	<u> </u>
Total permanently restricted net assets	<u>\$ 225,635</u>	<u>\$ 217,230</u>

NOTE 9 – ENDOWMENT

The Endowment was established for the purpose of assisting 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 the 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, 2015 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment		\$ 438,635	\$ 225,635	\$ 664,270
Board-designated general endowment	<u>\$ 2,424,981</u>	<u> </u>	<u> </u>	<u>2,424,981</u>
Endowment net assets	<u>\$ 2,424,981</u>	<u>\$ 438,635</u>	<u>\$ 225,635</u>	<u>\$ 3,089,251</u>

Endowment net asset composition as of December 31, 2014 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment		\$ 467,514	\$ 217,230	\$ 684,744
Board-designated general endowment	<u>\$ 2,540,475</u>	<u> </u>	<u> </u>	<u>2,540,475</u>
Endowment net assets	<u>\$ 2,540,475</u>	<u>\$ 467,514</u>	<u>\$ 217,230</u>	<u>\$ 3,225,219</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, 2014	\$ 2,490,240	\$ 453,474	\$ 205,180	\$ 3,148,894
Investment return:				
Interest and dividends	27,303	7,211		34,514
Net realized and unrealized gain	<u>96,079</u>	<u>25,226</u>		<u>121,305</u>
Total investment return	<u>123,382</u>	<u>32,437</u>		<u>155,819</u>
Contributions and additions	3,481		12,050	15,531
Appropriation for distribution	<u>(76,628)</u>	<u>(18,397)</u>		<u>(95,025)</u>
Endowment net assets, December 31, 2014	<u>2,540,475</u>	<u>467,514</u>	<u>217,230</u>	<u>3,225,219</u>
Investment return:				
Interest and dividends	25,069	6,778		31,847
Net realized and unrealized loss	<u>(52,715)</u>	<u>(14,311)</u>		<u>(67,026)</u>
Total investment return	<u>(27,646)</u>	<u>(7,533)</u>		<u>(35,179)</u>
Contributions and additions			8,405	8,405
Appropriation for distribution	<u>(87,848)</u>	<u>(21,346)</u>		<u>(109,194)</u>
Endowment net assets, December 31, 2015	<u>\$ 2,424,981</u>	<u>\$ 438,635</u>	<u>\$ 225,635</u>	<u>\$ 3,089,251</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.

NOTE 10 – LEASES

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

2016	\$ 143,218
2017	104,930
2018	<u>1,136</u>
Total	<u>\$ 249,284</u>

Total rent expense was approximately \$137,000 in 2015 and \$134,000 in 2014.

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 valued is based on an estimated fair value per item of clothing distributed. The total value of contributed food was approximately \$577,000 in 2015 and \$764,000 in 2014. The total value of contributed clothing was approximately \$153,000 in 2015 and \$173,000 in 2014.

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 43,000 hours in 2015 and 2014.

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 \$28,100 and \$26,000 to the plan in 2015 and 2014, respectively.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent to year end, CCSC purchased a building for approximately \$850,000 for expansion of its program. CCSC utilized \$800,000 of endowment funds to purchase the building which will be repaid over 20 years bearing interest at 4.29%.

Management has evaluated subsequent events through June 14, 2016, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.