

Network of Community Ministries, Inc.

Financial Statements

December 31, 2009

Network of Community Ministries, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Network of Community Ministries, Inc.

We have audited the accompanying statement of financial position of Network of Community Ministries, Inc. (a nonprofit organization) as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Network of Community Ministries, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Brosowski, Mares, Smothermon, & Co., P.C.

Dallas, Texas
April 20, 2010

Network of Community Ministries, Inc.
Statement of Financial Position
For the Year Ended December 31, 2009

Assets	
Current assets:	
Cash and cash equivalents	\$ 420,168
Accounts receivable, less allowance of \$-0-	167,848
Investments	104,121
Inventory	105,914
Prepaid expenses	<u>10,377</u>
Total current assets	808,428
Property and equipment, net	86,166
Total assets	<u><u>\$ 894,594</u></u>

Liabilities and Net Assets	
Current liabilities:	
Accounts payable	\$ 10,891
Accrued liabilities	<u>4,548</u>
Total current liabilities/total liabilities	<u>15,439</u>
Net assets:	
Unrestricted net assets	278,625
Temporarily restricted net assets	<u>600,530</u>
Total net assets	879,155
Total liabilities and net assets	<u><u>\$ 894,594</u></u>

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

Network of Community Ministries, Inc.
Statement of Activities
For the Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support			
Contributions:			
Emergency services	\$ -	\$ 543,157	\$ 543,157
Network adolescent & children's clinic	-	132,997	132,997
Seniors' net	-	91,330	91,330
In-kind donations	988,609	-	988,609
In-kind services	40,800	-	40,800
Others	206,158	-	206,158
Grants	3,750	-	3,750
Fund raising events	10,819	84,336	95,155
Interest	4,372	-	4,372
	<u>1,254,508</u>	<u>851,820</u>	<u>2,106,328</u>
 Expenses			
Program services:			
Emergency services	1,066,063	302,105	1,368,168
Seniors' net	12,574	52,780	65,354
Children's Clinic	19,882	55,944	75,826
Supporting services:			
Management and general	161,469	-	161,469
Fundraising	76,088	-	76,088
	<u>1,336,076</u>	<u>410,829</u>	<u>1,746,905</u>
 Change in net assets	 (81,568)	 440,991	 359,423
 Net assets at beginning of year	 <u>360,193</u>	 <u>159,539</u>	 <u>519,732</u>
 Net assets at end of year	 <u>\$ 278,625</u>	 <u>\$ 600,530</u>	 <u>\$ 879,155</u>

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

Network of Community Ministries, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2009

	Program Services			Supporting Services		Totals
	Emergency Services	Seniors' Net	Children's Clinic	Management and General	Fund-Raising	
Food assistance	\$ 996,876	\$ -	\$ -	\$ -	\$ -	\$ 996,876
Payroll & related	98,574	28,261	6,402	64,468	67,862	265,567
Rental and lodging assistance	86,880	-	-	-	-	86,880
Occupancy	62,053	1,733	7,403	22,110	-	93,299
Energy assistance	70,138	-	-	-	-	70,138
Office	10,798	6,325	2,183	33,732	1,580	54,618
Contract services	-	8,115	-	-	-	8,115
Miscellaneous	12,710	3,507	4,802	356	2,084	23,459
Handyman/Home repairs	-	8,281	-	-	-	8,281
Board recognition	-	-	-	7,873	-	7,873
Advertising	5,194	548	-	-	-	5,742
Telephone	7,820	2,140	713	4,797	-	15,470
Professional services	-	-	40,800	9,391	-	50,191
Promotion	-	5,404	-	-	4,562	9,966
Insurance	-	-	-	5,582	-	5,582
Staff training	515	525	-	4,487	-	5,527
Transportation assistance	2,000	-	-	-	-	2,000
Repairs and maintenance	-	-	4,506	5,316	-	9,822
Prescriptions and medical supplies	-	-	5,658	-	-	5,658
Other assistance	6,659	-	-	-	-	6,659
School assistance	5,206	-	-	-	-	5,206
Medical assistance	2,039	-	-	-	-	2,039
Depreciation	706	515	3,359	3,357	-	7,937
	<u>\$ 1,368,168</u>	<u>\$ 65,354</u>	<u>\$ 75,826</u>	<u>\$ 161,469</u>	<u>\$ 76,088</u>	<u>\$ 1,746,905</u>

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

Network of Community Ministries, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2009

Operating activities	
Change in net assets	\$ 359,423
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	7,937
(Increase) decrease in operating assets:	
Grants receivable	(121,601)
Inventory	(36,415)
Prepaid expenses	(3,229)
Increase (decrease) in operating liabilities:	
Accounts payable	(2,245)
Accrued liabilities	(60)
	<u>203,810</u>
Net cash provided by operating activities	
Investing activities	
Purchases of investments	(104,121)
Purchases of equipment	(86,305)
	<u>(190,426)</u>
Net cash used in investing activities	
Net increase in cash and cash equivalents	13,384
Cash and cash equivalents as of beginning of year	406,784
Cash and cash equivalents as of end of year	<u><u>\$ 420,168</u></u>

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

Network of Community Ministries, Inc.
Notes to Financial Statements
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities -

The Network of Community Ministries, Inc. (the Organization) was founded in 1985. It is supported by businesses, individuals, and a coalition of religious, civic and social organizations. The Organization relies upon contributions and grants and operates without reliance upon government funding and is not a United Way agency. The Organization's mission is caring, coaching, and empowering its neighbors in need for an improved quality of life.

This goal is accomplished by offering charitable assistance to persons in need, primarily in the Richardson Independent School District (RISD) area in North Texas and by alerting and educating the community on issues that affect those in need. The Organization provides food, medical and financial assistance, temporary shelter and other needs of its clients.

The Organization focuses its services on certain groups through three activities: Emergency Services, Adolescent and Children's Clinic, and Seniors' Net.

Emergency services provide rent, utility, food, school, counseling, medical and other emergency assistance to the needy in the Richardson Independent School District.

The Adolescent and Children's Clinic serves the health care needs of children of low-income working parents. The clinic serves families who cannot afford a private doctor, are not on Medicaid, and cannot take time off from work to spend the day at Parkland Hospital. The clinic is staffed by volunteer doctors and nurses, and there is no charge to the clients for these services.

Seniors' Net provides multiple services for those ages 60 and over including financial counseling, friendly visitors, family support, home maintenance and other services. Citizens in the community volunteer to provide this service. The activity is led by a paid director.

Clients must meet eligibility and residence requirements, and must have identification.

The daily operations are governed by a board of directors which is comprised of pastors, members of the business community, educators, and professional people. There is a small paid staff and more than 500 volunteers.

Basis of Presentation –

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Network of Community Ministries, Inc.
Notes to Financial Statements
December 31, 2009

Promises to Give –

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value and at fair value if expected to be collected in more than one year.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. The allowance for unconditional promises to give for the year ended December 31, 2009 was \$0.

Donated Materials –

Contributions of donated noncash assets are recorded at their fair value in the period received. The Organization receives a substantial amount of donated materials consisting mostly of food.

Contributed Services –

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 period received. During the year ended December 31, 2009, the value of contributed professional medical services that was provided on behalf of their Children's and Adolescents Clinic that meet the requirements for recognition in the financial statements was \$40,800. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in support services, program services and fund raising activities, but these services do not meet the criteria for recognition as contributed services. The Organization receives more than 51,000 volunteer hours per year.

Estimates –

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

Cash and Cash Equivalents –

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Network of Community Ministries, Inc.
Notes to Financial Statements
December 31, 2009

Investments –

Investments consist of certificates of deposits which are stated at fair value as determined by quoted market prices.

Inventory –

The Organization's inventory, which consists of food items, is valued at the lower of cost (first in, first out) or market.

Property and Equipment –

It is the Organization's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over 5 - 15 years.

Contributions –

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Income Taxes –

The Organization is a nonprofit organization operating under Section 501(c)(3) of the Internal Revenue Code, and is generally exempt from federal income taxes and, accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Advertising –

The Organization charges advertising costs to expense as incurred. Advertising expenses, which relate primarily to programs and fundraising totaled \$9,991 for the year ended December 31, 2009.

Network of Community Ministries, Inc.
Notes to Financial Statements
December 31, 2009

NOTE 2 – INVESTMENTS

Investments are presented in the financial statements at fair market value. The following is a summary of the investments as of December 31, 2009.

Certificates of deposit	\$ 104,121
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Investment income for the year ended December 31, 2009 consisted of the following:

Interest income	\$ 4,372
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NOTE 3 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of December 31, 2009:

Office furniture and equipment	\$ 45,237
Children’s Clinic office furniture and equipment	4,244
Children’s Clinic leasehold improvements	11,421
Children’s Clinic medical equipment	40,442
Emergency Services equipment	7,062
Seniors’ Net medical equipment	<u>7,214</u>
	115,620
Less accumulated depreciation	(29,454)
Total	<u>\$ 86,166</u>

Depreciation expense was \$7,937 for the year ending December 31, 2009.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

Emergency services	\$ 48,427
Network Children and Adolescent’s Clinic	77,053
Senior’s Net	<u>38,550</u>
Total temporarily restricted net assets	<u>\$ 600,530</u>

The Organization received monies from TXU and Reliant Energy which are only to be used for paying clients’ energy bills. Certain other donations and grants are received for the separate programs and are restricted to use in those programs only. The Organization had no permanently restricted net assets at December 31, 2009. Temporarily restricted assets include restricted cash for emergency services of \$46,581 of grant and contribution funds that were available at December 31, 2009 for utility assistance.

Network of Community Ministries, Inc.
Notes to Financial Statements
December 31, 2009

NOTE 5 – OPERATING LEASE COMMITMENT

The Organization leases its office and storage facilities as well as office equipment under operating leases expiring through 2014. Rent expense related to these leases was \$72,866 during 2009. The following is a schedule of estimated future minimum lease payments required on the leases:

<u>Year Ended</u> <u>December 31</u>	<u>Amount</u>
2010	\$ 71,856
2011	71,400
2012	69,120
2013	69,120
2014	<u>51,840</u>
	\$ <u>333,336</u>

The Company is dependent on future support and revenue in order to meet its obligations as they become due and continue its current level of operations. While no formal long-term arrangements exist, this support is expected to be received from external sources.

NOTE 6 – CONDITIONAL PROMISES TO GIVE

Conditional promises to give are not recognized in the financial statements until all the conditions are satisfied and consist of the following at December 31, 2009:

Funding for the Adolescent and Children’s Clinic	\$ 22,000
Funding for Emergency Services	<u>20,000</u>
	\$ <u>42,000</u>

NOTE 7 – ECONOMIC DEPENDENCY

The Organization is supported primarily through donor contributions and grants as well as fundraising activities.

The Company is dependent on future support and revenue in order to meet its obligations as they become due and continue its current level of operations. While no formal long-term arrangements exist, this support is expected to be received from external sources.