

Network of Community Ministries, Inc.

Audited Financial Statements

December 31, 2010

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December 31, 2010

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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. (the Organization), as of December 31, 2010, and the related Statements of Activities, Cash Flows and Functional Expenses for the year then ended. These financial statements are the responsibility of Network of Community Ministries, Inc.'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 misstatements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Network of Community Ministries, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2010, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Albright, Hill & Sumpter, PC
Certified Public Accountants

Albright, Hill & Sumpter

February 21, 2011

Network of Community Ministries, Inc.
Statement of Financial Position
December 31, 2010

ASSETS

Current assets		
Cash	\$ 402,821	
Investments	104,491	
Grants receivable	31,202	
Inventory	101,375	
Prepaid expenses	<u>3,864</u>	
Total current assets		\$ 643,753
Fixed assets (net)		166,445
Asset held for sale		<u>102,019</u>
Total assets		<u><u>\$ 912,217</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 14,426	
Payroll liabilities	<u>4,474</u>	
Total current liabilities		\$ 18,900
Net assets		
Unrestricted net assets	62,237	
Temporarily restricted net assets	<u>831,080</u>	
Total net assets		<u>893,317</u>
Total liabilities and net assets		<u><u>\$ 912,217</u></u>

The accompanying notes are an integral part of this statement.

Network of Community Ministries, Inc.
Statement of Activities
For the year ended December 31, 2010

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Unrestricted contributions	\$ 256,103	\$ -	\$ 256,103
Grants	8,301	-	8,301
In-kind contributions	790,075	-	790,075
Emergency services temporarily restricted revenues	-	424,023	424,023
Children's clinic	-	85,438	85,438
Seniors' net temporarily restricted	-	203,196	203,196
Total	<u>1,054,479</u>	<u>712,657</u>	<u>1,767,136</u>
Special events	19,962	115,635	135,597
Other revenue			
Interest income	6,308	-	6,308
Total revenue and support	<u>1,080,749</u>	<u>828,292</u>	<u>1,909,041</u>
Assets released from restrictions	<u>597,742</u>	<u>(597,742)</u>	<u>-</u>
Expenses			
Programs:			
Emergency services	1,351,593	-	1,351,593
Senior net	111,848	-	111,848
Children's clinic	121,328	-	121,328
Total program expenses	<u>1,584,769</u>	<u>-</u>	<u>1,584,769</u>
Management and general	251,067	-	251,067
Fund raising	59,043	-	59,043
Total expenses	<u>1,894,879</u>	<u>-</u>	<u>1,894,879</u>
Change in net assets	(216,388)	230,550	14,162
Net assets at beginning of year	<u>278,625</u>	<u>600,530</u>	<u>879,155</u>
Net assets at end of year	<u>\$ 62,237</u>	<u>\$ 831,080</u>	<u>\$ 893,317</u>

The accompanying notes are an integral part of this statement.

Network of Community Ministries, Inc.
Statement of Cash Flows
For the year ended December 31, 2010

Cash flows from operating activities	
Change in net assets	\$ 14,162
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	20,129
(Increase) in assets held for sale	(102,019)
Decrease in grants receivable	136,646
Decrease in inventory	4,539
Decrease in prepaid expenses	6,513
Increase in accounts payable	3,535
(Decrease) in payroll liabilities	(74)
Net cash provided by operating activities	<u>83,431</u>
 Cash flows from investing activities	
Purchase of investments	(370)
Purchase of fixed assets	<u>(100,408)</u>
Net cash (used in) investing activities	<u>(100,778)</u>
 Net (decrease) in cash	(17,347)
 Cash at beginning of year	<u>420,168</u>
Cash at end of year	<u><u>\$ 402,821</u></u>
 Supplemental information:	
Cash paid during the year for:	
Interest	<u>\$ -</u>
Income taxes	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

Network of Community Ministries, Inc.
Statement of Functional Expenses
For the year ended December 31, 2010

	Programs	Management and General	Fund Raising	Total
Assistance	\$1,034,480	\$ -	\$ -	\$1,034,480
Payroll and related expenses	216,897	80,003	37,033	333,933
Promotions and events	76,125	-	19,416	95,541
Occupancy	109,680	19,851	-	129,531
Professional fees	41,068	25,554	-	66,622
Telephone	10,778	3,030	-	13,808
Office	31,183	63,968	1,596	96,747
Maintenance	6,769	7,102	-	13,871
Board recognition	-	4,770	-	4,770
Staff training	8,718	2,216	-	10,934
Depreciation	-	20,129	-	20,129
Miscellaneous	49,071	24,444	998	74,513
Total	<u>\$1,584,769</u>	<u>\$ 251,067</u>	<u>\$ 59,043</u>	<u>\$1,894,879</u>

The accompanying notes are an integral part of this statement.

Network of Community Ministries, Inc.
Notes to Financial Statements
December 31, 2010

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In fulfilling its responsibility for the preparation of Network of Community Ministries, Inc.'s (the Organization) financial statements and disclosures, management selects accounting principles generally accepted in the United States of America and adopts methods for their application. The application of accounting principles requires estimating, matching and timing of revenue and costs in the determination of support and expenditures. It is also necessary for management to determine, measure, allocate and make certain assumptions regarding resources and obligations within the financial process according to these principles. Below are certain significant accounting policies selected by management.

Nature and Purpose of the Organization

Network of Community Ministries, Inc. was founded in 1985. It is supported by businesses, individuals and 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.

The 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.

The Adolescent and Children's Clinic serves the health care needs of children of low-income working parents. The clinic services 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.

Network of Community Ministries, Inc.
Notes to Financial Statements
December 31, 2010

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 financial statements have been prepared using the accrual method of accounting and conform to accounting principles generally accepted in the United States of America (GAAP). As required by GAAP, net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows.

Unrestricted net assets – those funds available for support of the Organization and its programs.

Temporarily restricted net assets – those funds limited by the donor(s) for later periods or specific purposes.

Permanently restricted net assets – those funds limited by the donor(s) for permanent investment of principal and use of income.

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.

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, 2010,

Network of Community Ministries, Inc.
Notes to Financial Statements
December 31, 2010

the value of contributed professional medical services that was provided on behalf of the Adolescent and Children's Clinic that meet the requirements for recognition in the financial statements was \$41,068. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in supporting 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.

Accounting Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Such estimates and assumptions primarily relate to valuation as of the date of the financial statements. Accordingly, actual results could differ from these estimates and assumptions. The methods used in making accounting estimates are believed by management to be reasonable and have been consistently applied. Significant estimates included in these financial statements are as follows:

1. Valuation of inventory.
2. Valuation of in-kind contributions.
3. Lives used to depreciate fixed assets.
4. Allocation of functional expenses.

Cash and Cash Equivalents

For the purpose of the Statement 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.

Investments

Investments consist of certificates of deposit 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.

Network of Community Ministries, Inc.
Notes to Financial Statements
December 31, 2010

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 non-profit 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 deducting 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 fund raising totaled \$6,584 for the year ended December 31, 2010.

NOTE 2 - INVESTMENTS

Investments are presented in the financial statements at estimated fair value.

Network of Community Ministries, Inc.
Notes to Financial Statements
December 31, 2010

The following is a summary of the investments as of December 31, 2010:

Certificates of deposit	\$ <u>104,491</u>
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Investment income for the year ended December 31, 2010 consisted of the following:

Interest income	\$ <u>6,308</u>
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NOTE 3 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of December 31, 2010:

Office furniture and equipment	\$ 43,300
Office leasehold improvements	1,130
Children's Clinic office furniture and equipment	5,660
Children's Clinic leasehold improvements	12,105
Children's Clinic medical equipment	71,697
Emergency Services equipment	30,750
Emergency Services leasehold improvements	26,147
Seniors' Net furniture and equipment	1,325
Seniors' Net medical equipment	7,214
Website	<u>16,700</u>
	216,028
Less: accumulated depreciation	<u>(49,583)</u>
Total	<u>\$ 166,445</u>

Depreciation expense was \$20,129 for the year ended December 31, 2010.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

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

Emergency Services	\$640,422
Adolescent and Children's Clinic	54,754
Senior's Net	<u>135,904</u>
Total temporarily restricted net assets	<u>\$831,080</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

Network of Community Ministries, Inc.
Notes to Financial Statements
December 31, 2010

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, 2010. Net assets released from restrictions for the year ended December 31, 2010 were as follows:

Emergency Services	\$431,829
Adolescent and Children's Clinic	30,035
Senior's Net	<u>135,878</u>
Total	<u><u>\$597,742</u></u>

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 \$98,053 during 2010. The following is a schedule of estimated future minimum lease payments required on these leases:

Year Ended December 31,	Amount
2011	\$107,520
2012	107,520
2013	107,520
2014	90,240
2015	<u>6,400</u>
	<u><u>\$419,200</u></u>

NOTE 6 – CONDITIONAL PROMISES TO GIVE

Conditional promises to give are not recognized in the financial statements until all the conditions are satisfied and consisted of the following at December 31, 2010:

Funding for the Adolescent and Children's Clinic	\$ 6,688
Funding for Emergency Services	<u>20,295</u>
	<u><u>\$ 26,983</u></u>

NOTE 7 – ECONOMIC DEPENDENCY

The Organization is supported primarily through donor contributions, grants and fund raising activities. This support is received from various sources in the Dallas, Texas area.

Network of Community Ministries, Inc.
Notes to Financial Statements
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The Organization 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 8 – DISCLOSURES ABOUT UNCERTAINTY IN INCOME TAXES UNDER FASB ASC 740

The Organization files an annual information return. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2007.

The Organization has adopted the provisions of FASB ASC 740, *Income Taxes*. There were no unrecognized tax benefits for the year ended December 31, 2010.

The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expense. There were no such interest and penalties for 2010.

NOTE 9 – FAIR VALUE

The Organization's financial instruments are cash and cash equivalents, contributions and accounts receivable. The recorded values of financial instruments approximate their estimated fair values based on their short-term nature. These estimated fair values as of December 31, 2010 are as follows:

	Estimated Fair Value	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash and cash equivalents	\$ 402,821	\$ 402,821	\$ -
Investments	104,491	104,491	-
Grants receivable	31,202	-	31,202
	<u>\$ 538,514</u>	<u>\$ 507,312</u>	<u>\$ 31,202</u>

Non-financial assets consist primarily of fixed assets and are valued at fair value on a nonrecurring basis. Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted cash flows from the assets are less than the carrying

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value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or estimated fair value, less costs to sell. There was no such impairment loss for the year ended December 31, 2010.

NOTE 10 – SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to December 31, 2010 through the issue date of the financial statements, February 21, 2011. Based on this review, no events have occurred requiring disclosure other than the following.

During 2010, the Organization received a bequest from an estate. Pursuant to the decedent's will, the Organization received real property located in Richardson, Texas. This property was deeded to the Organization in June 2010 and is reflected in the financial statements as asset held for sale. Subsequent to December 31, 2010, this property was sold and the Organization received \$102,019 as a result of the sale.