

**COMMUNITY CARE FELLOWSHIP, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1
Statements of Assets, Liabilities and Net Assets - Modified Cash Basis	2
Statements of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis	3
Notes to Financial Statements	4-7

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Community Care Fellowship, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Community Care Fellowship, Inc. (a not-for-profit organization, "CCF"), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2016 and 2015, the related statements of revenues, expenses and changes in net assets – modified cash basis 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 the audit 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.

Basis for Qualified Opinion

Certain property is stated at management's estimate of value in the accompanying financial statements. In addition, the Organization has not recorded all property acquisitions and related depreciation of the property. The modified cash basis of accounting requires that all property acquisitions be capitalized at historical cost and depreciated over their estimated useful life. The effects of these departures from the modified cash basis of accounting on the financial statements are not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and net assets of Community Care Fellowship, Inc. as of December 31, 2016 and 2015, and its revenue, expenses and changes in net assets for the years then ended, in accordance with the modified cash basis of accounting as described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Blankenship CPA Group, PLLC

August 18, 2017

COMMUNITY CARE FELLOWSHIP, INC.
Statements of Assets, Liabilities and Net Assets – Modified Cash Basis
December 31, 2016 and 2015

	2016	2015
Assets		
Cash	\$ 135,668	\$ 125,572
Investments	154,127	177,992
Other Assets	83	-
Property and Furnishings at estimated values (Note 4)	1,287,500	1,287,500
Total Assets	\$ 1,577,378	\$ 1,591,064
Liabilities and Net Assets		
Current Liabilities		
Accrued Payroll Liabilities	\$ 45	\$ 37
Current Portion of Note Payable	-	17,644
Total Current Liabilities	45	17,681
Net Assets		
Unrestricted	1,477,333	1,473,383
Unrestricted - Board Designated	100,000	100,000
Total Net Assets	1,577,333	1,573,383
Total Liabilities and Net Assets	\$ 1,577,378	\$ 1,591,064

See notes to the financial statements.

COMMUNITY CARE FELLOWSHIP, INC.
Statements of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis
Years Ended December 31, 2016 and 2015

	2016		2015	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Public Support and Revenue				
Contributions:				
Individuals	\$ 230,068	\$ -	\$ 223,861	\$ -
Local Churches	73,815	-	53,392	4,998
Church Agencies	14,448	-	3,510	-
Organizations	48,047	-	60,976	-
Total Contributions	366,378	-	341,739	4,998
Grants	26,500	-	45,720	-
Investment income, net	6,250	-	1,235	-
Net Assets Released from Restrictions	-	-	14,497	(14,497)
Total Public Support and Revenue	399,128	-	403,191	(9,499)
Expenses				
Salaries and Benefits	227,685	-	238,476	-
Food and Supplies	41,401	-	43,787	-
Utilities	35,017	-	35,500	-
Professional Fees	-	-	22,210	-
Insurance	23,765	-	21,418	-
Housing Expense	33,000	-	25,402	-
Repairs and Maintenance	10,795	-	31,934	-
Interest Expense	342	-	1,241	-
Postage and Printing	9,702	-	12,754	-
Telephone	3,406	-	4,002	-
Starfish Program	5,774	-	7,802	-
Other	4,291	-	10,237	-
Total Expenses	395,178	-	454,763	-
Change in Net Assets	3,950	-	(51,572)	(9,499)
Net Assets - Beginning of Year	1,573,383	-	1,624,955	9,499
Net Assets - End of Year	\$ 1,577,333	\$ -	\$ 1,573,383	\$ -

See notes to the financial statements.

COMMUNITY CARE FELLOWSHIP, INC.
Notes to Financial Statements
December 31, 2016 and 2015

Note 1. Summary of Significant Accounting Policies

A. About the Organization

Community Care Fellowship, Inc. ("CCF") is a not-for-profit organization formed to promote and coordinate urban mission and ministry in the Nashville District of the United Methodist Church. CCF is a ministry serving the homeless and near homeless in Nashville, Tennessee. Services provided through CCF include noon meals four days a week, facilities for showers and other personal hygiene services, laundry facilities, limited financial assistance, and counseling. An after school program is provided for local children.

CCF is operated out of the Nancy Webb Kelly United Methodist Church. Should CCF cease operations, all assets would revert to Nancy Webb Kelly United Methodist Church.

B. Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, support and revenue are recognized when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred.

Modifications to the cash basis of accounting consist of the capitalization of certain property and equipment at replacement cost for insurance determination, not recording the capitalization of all property at historical cost with related depreciation, recording investments at fair market value, recording the liability for a note payable and recording payroll related liabilities.

C. Financial Statement Presentation

The net assets of CCF and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that can be fulfilled by actions of CCF pursuant to those restrictions or that expire by the passage of time.

Permanently restricted net assets – Net assets subject to donor imposed stipulations that must be maintained by CCF permanently. CCF currently has no permanently restricted net assets.

D. Property and Furnishings

Property and furnishings are stated either at historical cost or at management's estimate of value. CCF does not record depreciation on assets. The modified cash basis of accounting requires that depreciable assets be capitalized at historical cost and depreciated over their estimated useful lives. The effects of these departures from the modified cash basis of accounting are not reasonably determinable.

E. Fair Value

CCF determines the fair value of financial assets and liabilities that are required to be carried at such amounts in accordance with the *Fair Value Measurements and Disclosures* topic of the FASB Accounting Standards Codification. Fair value is required to be evaluated and adjusted according to the following valuation techniques.

COMMUNITY CARE FELLOWSHIP, INC.
Notes to Financial Statements – Continued
December 31, 2016 and 2015

Note 1. Summary of Significant Accounting Policies – Continued

E. Fair Value

Level 1 – Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2 – Fair value is determined using quoted market prices in active markets for similar assets and liabilities.

Level 3 – Fair value is determined using unobservable market prices in a market that is typically inactive.

F. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Income Taxes

CCF is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes has been made in the financial statements.

H. Contributions

CCF is funded primarily through contributions from individuals, local churches and agencies and other organizations. Contributions are received and recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses and changes in net assets – modified cash basis as net assets released from restrictions.

Note 2. Investments

CCF holds investments with the Nashville Area United Methodist Development Fund (the Fund). These investments are carried at the fair value determined on December 31, 2016 and 2015, as reported by the Fund. The fair value of the investments was \$154,127 and \$177,992 for the years ended December 31, 2016 and 2015.

Investment income is comprised of the following for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Realized gains	\$ 1,715	\$ 4,167
Unrealized gains (losses)	2,320	(5,172)
Interest	2,618	1,965
Dividends	710	1,343
	<u>7,363</u>	<u>2,303</u>
Less: investment fees	<u>1,113</u>	<u>1,068</u>
Investment income, net	<u>\$ 6,250</u>	<u>\$ 1,235</u>

Note 3. Fair Value Measurements

The following assets carried at fair value are reviewed and adjusted on a recurring basis based on information provided from investment custodians and available from market monitoring sources. Fair value at December 31, 2016 and 2015 is as follows:

COMMUNITY CARE FELLOWSHIP, INC.
Notes to Financial Statements – Continued
December 31, 2016 and 2015

Note 3. Fair Value Measurements – Continued

<u>Assets</u>	<u>Fair Value December 31, 2016</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 2)</u>
Investments	\$ 154,127	\$ 154,127
<u>Assets</u>	<u>Fair Value December 31, 2015</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 2)</u>
Investments	\$ 177,992	\$ 177,992

Note 4. Property and Furnishings

Property and furnishings consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Buildings	\$ 1,107,000	\$ 1,107,000
Furnishings	180,500	180,500
	1,287,500	1,287,500
Less: Accumulated Depreciation	-	-
	\$ 1,287,500	\$ 1,287,500

CCF recorded property and furnishings at management's estimate of value originally determined in 2005 for certain assets rather than at historical cost as required by the modified cash basis of accounting. No additions or disposals have been recorded since 2005. CCF has not recorded depreciation on its property and furnishings.

Note 5. Operating Leases

CCF leases office equipment under various terms through June 2021. Under the agreements, CCF has minimum annual payments totaling \$1,067 for each year through December 31, 2020. For the year ending December 31, 2021, minimum annual payments total \$533. For the years ended December 31, 2016 and 2015, rental lease payments totaled \$2,970 and \$3,733, respectively.

Note 5. Note Payable

Note payable consisted of a loan that was due in monthly installments of \$1,823, including interest at a fixed rate of 4.50% until February 2021. The note was paid off by CCF in August 2016.

Note 6. In-Kind Donations

CCF receives donations in the form of volunteer services and supplies in providing its programs. No amounts have been reported in the financial statements as the financial statements are prepared on the modified cash basis of accounting. Volunteers donated approximately 4,300 and 4,200 hours to CCF's programs during each of the years ended December 31, 2016 and 2015, respectively.

COMMUNITY CARE FELLOWSHIP, INC.
Notes to Financial Statements – Continued
December 31, 2016 and 2015

Note 7. Kern Memorial Property Fund

The Nashville Area United Methodist Foundation maintains investments, known as the Kern Memorial Property Fund (the "Fund"), on behalf of the United Methodist Church. The Fund was created from the sale of a church building. By action of the Tennessee Annual Conference of the United Methodist Church, CCF's Board of Directors was authorized as trustees of this Fund and is permitted to use monies earned by the \$200,000 corpus. As the United Methodist Church has ultimate authority and control over the investments, the net assets of CCF do not include these investments. The balance of the Fund held for the benefit of CCF totaled approximately \$231,978 and \$220,871 at December 31, 2016 and 2015.

Note 8. Subsequent Event

CCF has evaluated subsequent events through August 18, 2017, the date the financial statements were available to be issued. CCF believes there were no subsequent events that require recognition or disclosure in the financial statements.