

# 2017

## Financial Statements

**CHRISTIAN COMMUNITY SERVICES, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**(WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)**

(With Independent Auditor's Report Thereon)

**CHRISTIAN COMMUNITY SERVICES, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2016**

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**PATTERSON, HARDEE & BALLENTINE, P.C.**

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Christian Community Services, Inc.

We have audited the accompanying financial statements of Christian Community Services, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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.

**Auditor's Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 financial position of Christian Community Services, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Christian Community Services, Inc.'s 2016 financial statements, and our report dated April 28, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Patterson Hardee & Ballentine*

March 24, 2018

**CHRISTIAN COMMUNITY SERVICES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2016**

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash	\$ 203,053	\$ 130,774
Prepaid expenses	2,650	-
Accounts receivable	456	-
Total current assets	<u>206,159</u>	<u>130,774</u>
Property and equipment, net	<u>88,769</u>	<u>95,108</u>
Assets whose use is limited:		
Cash - board designated	67,204	67,160
Cash - temporarily restricted	39,502	33,140
Restricted grant receivable	5,002	8,798
Total assets whose use is limited	<u>111,708</u>	<u>109,098</u>
	<u><u>\$ 406,636</u></u>	<u><u>\$ 334,980</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 5,000	\$ -
Accrued payroll	3,900	2,690
Current portion of IDA payable	15,000	15,000
Total current liability	<u>23,900</u>	<u>17,690</u>
IDA payable, less current portion	<u>61,437</u>	<u>56,398</u>
Total liabilities	<u>85,337</u>	<u>74,088</u>
Net Assets:		
Unrestricted	209,591	151,794
Unrestricted - board designated	67,204	67,160
Total unrestricted net assets	<u>276,795</u>	<u>218,954</u>
Temporarily restricted	<u>44,504</u>	<u>41,938</u>
Total net assets	<u>321,299</u>	<u>260,892</u>
	<u><u>\$ 406,636</u></u>	<u><u>\$ 334,980</u></u>

See accompanying notes to financial statements.

**CHRISTIAN COMMUNITY SERVICES, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2016**

	2017			Total	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	2017	2016
Public Support and Revenues:					
Gross special events revenue	\$ 29,925	\$ -	\$ -	\$ 29,925	\$ -
Less direct costs of special events	(4,393)	-	-	(4,393)	-
Net special events revenue	25,532	-	-	25,532	-
Direct public support	224,753	-	-	224,753	193,520
Grants	1,343	40,100	-	41,443	46,238
Program fees	10,229	-	-	10,229	3,455
Fundraising	382	-	-	382	2,112
Other income	2,039	-	-	2,039	-
In kind	2,700	-	-	2,700	-
Net assets released from restrictions	37,534	(37,534)	-	-	-
Total public support and revenues	304,512	2,566	-	307,078	245,325
Expenses:					
Program services	160,354	-	-	160,354	135,563
Management and general	71,579	-	-	71,579	67,346
Fundraising	14,738	-	-	14,738	4,555
Total expenses	246,671	-	-	246,671	207,464
Increase in net assets	57,841	2,566	-	60,407	37,861
Net assets - beginning of year	218,954	41,938	-	260,892	223,031
Net assets - end of year	\$ 276,795	\$ 44,504	\$ -	\$ 321,299	\$ 260,892

See accompanying notes to financial statements.

**CHRISTIAN COMMUNITY SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2016**

	Family Mentoring	Basic Financial Training	Total Program Services	Management and General	Fundraising	Total 2017	Total 2016
Banquet	\$ 6,604	\$ -	\$ 6,604	\$ -	\$ -	\$ 6,604	\$ 63
Bank and finance charges	2	-	2	21	-	23	460
Communications - website	192	-	192	30	-	222	440
Consulting	295	-	295	838	-	1,133	930
Childcare	173	-	173	-	-	173	1,440
Credit reports	1,317	100	1,417	-	-	1,417	566
Depreciation	-	-	-	6,339	-	6,339	7,770
Equipment	-	-	-	-	-	-	-
Food	6,554	450	7,004	-	-	7,004	9,072
Direct costs of special events	-	-	-	-	4,393	4,393	-
Gifts	1,937	-	1,937	65	-	2,002	2,117
IDA matching expenses	16,986	-	16,986	-	-	16,986	20,527
In kind	-	-	-	2,700	-	2,700	-
Insurance	-	-	-	5,457	-	5,457	6,994
Janitorial service	550	150	700	470	-	1,170	1,300
Marketing	2,306	-	2,306	12	-	2,318	2,672
Office supplies	47	-	47	348	-	395	463
Payroll expenses	108,300	2,000	110,300	26,594	14,584	151,478	126,013
Postage and delivery	34	-	34	420	-	454	528
Rent	2,724	-	2,724	136	-	2,860	2,721
Professional fees	2,200	-	2,200	19,235	-	21,435	13,634
Supplies, materials and food	3,337	300	3,637	684	154	4,475	4,277
Telephone	-	-	-	4,486	-	4,486	3,682
Training	3,756	-	3,756	1,001	-	4,757	1,523
Transportation	40	-	40	2,743	-	2,783	272
Total expenses by function	157,354	3,000	160,354	71,579	19,131	251,064	207,464
Less expenses included with revenues on the statement of activities:							
Direct costs of special events	-	-	-	-	(4,393)	(4,393)	-
Total expenses included in the expense section on the statement of activities	\$ 157,354	\$ 3,000	\$ 160,354	\$ 71,579	\$ 14,738	\$ 246,671	\$ 207,464

See accompanying notes to financial statements.

**CHRISTIAN COMMUNITY SERVICES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Increase in net assets	<u>\$ 60,407</u>	<u>\$ 37,861</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	6,339	7,770
Changes in:		
Prepaid expenses	(2,650)	504
Accounts receivable	(456)	-
Assets whose use is limited	(2,610)	(7,259)
Accounts payable	5,000	(501)
Accrued payroll	1,210	1,085
IDA payable	5,039	5,984
Total adjustments	<u>11,872</u>	<u>7,583</u>
Net cash provided by operating activities	<u>72,279</u>	<u>45,444</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	<u>-</u>	<u>(589)</u>
Net cash used in investing activities	<u>-</u>	<u>(589)</u>
Net increase in cash	72,279	44,855
Cash - beginning of year	<u>130,774</u>	<u>85,919</u>
Cash - end of year	<u><u>\$ 203,053</u></u>	<u><u>\$ 130,774</u></u>

See accompanying notes to financial statements.

**CHRISTIAN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2016**

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

The terms “we”, “us”, or “our” are used throughout these notes to the financial statements to identify the Christian Community Services, Inc., a non-profit organization. Our mission is to empower underserved families, through caring relationships, to achieve a legacy of social, spiritual, and economic self-sufficiency. Our vision is a community where generations of lives and legacies have been transformed and personal and financial wellbeing has been achieved.

We empower underserved families to achieve a legacy of economic self-sufficiency through a family centered, holistic approach that includes classroom workshops focusing on behaviors and practical financial tools, individual counseling, mentoring, asset development and a unique children's curriculum. These are provided through the Basic Financial Training (BFT) Workshops, the Mentoring Towards Independence (MTI) program and Homebuyer Education Workshops.

Program Descriptions

Basic Financial Training Workshops

Basic Financial Training (BFT) is an eight hours certificate based workshop that provides participants with knowledge of basic financial management and enhances their skills on how to take control of their money. The workshop raises awareness of such issues as the differences between mainstream financial centers and predatory lenders. Topics include understanding money, credit, savings and budgeting. During the workshop participants create a zero based budget, and learn how credit scores are calculated, how to pull and check their credit report, and what transactions impact credit scores. Additionally, they begin to access and compare the pros and cons of renting versus homeownership. Participants review steps to homeownership and are provided with an overview of options and the importance of planning for the purchase and sustainability of a major asset.

BFT workshops are open to the public at large but are a pre-requisite for the Mentoring Towards Independence program (MTI). BFT workshops are held typically 3 times per year. Full day workshops are held on Saturdays and breakfast and lunch are provided. There is a \$10 registration charge.

Mentoring Towards Independence

Mentoring Towards Independence (MTI) is our flagship program. This nine month (September - May) program targets families earning between 100%-200% of the HHS Federal Poverty line. This program utilizes about 80 volunteers each month as tutors, mentors, and food teams who provide nutritious family style meals during the weekly sessions. MTI typically has 20 family participants during a program year. Topics include the Financial Peace University curriculum as well as life enhancing topics that address mindset and behavioral changes needed to achieve personal and financial goals. Throughout the week the participants (mentees) communicate with their mentors and they meet in person at least once a month to encourage and serve as accountability partners.

**CHRISTIAN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2016**

NOTE 1 - Summary of Significant Accounting Policies (continued)

Program Descriptions (continued)

Mentoring Towards Independence (continued)

Another great component of MTI is the Individual Development Accounts (IDAs), described in Note 3. The IDAs are matched saving accounts in which CCSI will match \$2 for every \$1 they save up to a total match of \$3,334. A participant has 5 years to save their portion of \$1,666 and receive the maximum matched portion, giving mentees a combined total of \$5,000 for the purchase of a house, micro-enterprise or higher education. To date at least 160 families have achieved self-sufficiency, with 117 of those as first-time homeowners and the remaining paying fair market rent.

To keep IDA savers encouraged and engaged as they prepare for their asset purchase, we offer quarterly Savers Clubs meetings. These meetings are for the MTI mentees who have completed the initial nine months of the Mentoring Towards Independence program but have not purchased their asset. The Savers Club offers guest lecture topics related to higher education, small business management and home purchases, etc. to promote personal and financial wellbeing

MTI also offers a development program for the children while the adults are in their sessions. The children learn topics similar to those of the adults. They engage with their tutors for homework assistance, financial education, career exploration, vision boards, personal, social, and spiritual development. Additionally, the children engage in service projects as a component of the "Earn It, Save It," initiative in which they earn matched savings funds based on the timeliness, commitment, and quality of their work/service.

Homebuyer Education Workshops

As part of the financial education continuum, we offer Tennessee Housing Development Agency (THDA) Certified Homebuyer Education (HBE) workshops. These workshops are taught by certified pre and post-purchase home education counselors and serve as the financial education requirement for many home loan assistance programs such as THDA. This eight hour workshop dives deeply into the home buying process and helps the prospective homeowner to understand the mortgage process, determine how much of a house payment they can really afford, and show how proper budgeting and good credit can help obtain and sustain long-term home ownership. These combined pre and post homebuyer education workshops have a fee of \$149.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

**CHRISTIAN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2016**

NOTE 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations, which may or will be met, either by our actions and/or by the passage of time. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations which require the assets to be permanently maintained. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes. We had no permanently restricted net assets as of December 31, 2017, and 2016.

Prior Year Summarized Financial Information

While comparative information is not required under United States generally accepted accounting principles ("US GAAP"), we believe this information is useful and have included certain summarized financial information from our 2016 financial statements. Such summarized information is not intended to be a complete presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with our financial statements as of and for the year ended December 31, 2016, from which it was derived.

Reclassifications

Certain reclassifications of prior year summarized amounts have been made to conform to the current year presentation.

Revenue

We receive contributions from foundations, churches, grantors and individuals. We recognize this revenue as it is received or promised to us in accordance with generally accepted accounting principles for non-profit organizations. We also receive program revenues from participants in our Basic Financial Training and THDA Home Ownership Training.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2017 and 2016, we had no cash equivalents.

Promises to Give

Unconditional promises to give are recognized as support and revenues in the period promised and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**CHRISTIAN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2016**

NOTE 1 - Summary of Significant Accounting Policies (continued)

Prepaid expenses

Prepaid expenses consist of insurance premiums paid by us in advance.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value as of the date of donation. Purchases or donations of equipment over \$500 are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. Depreciation is computed using the straight line basis over the following estimated useful lives of the respective assets:

Donated assets with donor stipulations as to specific purpose(s) are reported as restricted contributions until it is placed in the service for which it is restricted.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At December 31, 2017, no assets were considered to be impaired.

Advertising

Advertising is expensed as incurred.

Donated Services and Goods

Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by us if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

Members of the Board of Directors have provided substantial assistance to us by donation of time and services. The value of this contribution is not reflected in the financial statements since it is not susceptible to objective measurement or valuation.

Income Tax Status

We are a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

**CHRISTIAN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2016**

NOTE 1 - Summary of Significant Accounting Policies (continued)

Fair Values of Financial Instruments

The carrying values of current assets, current liabilities, and restricted cash approximate fair values due to the short maturities of these instruments. The carrying value of long-term IDA payable approximates fair value within an insignificant amount.

Concentrations of Credit Risk

We receive a large amount of general donations from two churches. A major reduction in contributions from these churches may have a significant effect on the future operations of our programs and activities. During the year ended December 31, 2017, and 2016, we received 36% and 46%, respectively, of total revenue from these two churches.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses and support services that can be identified with a specific program are allocated directly to their natural expenditure classification. Other expenses that are common to several programs are allocated based on various relationships.

NOTE 2 - Property and Equipment

A summary of property and equipment at December 31, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
Building	\$ 200,000	\$ 200,000
Automobiles	17,833	17,833
Office equipment	<u>27,506</u>	<u>27,506</u>
	245,339	245,339
Less: accumulated depreciation	<u>(156,570)</u>	<u>(150,231)</u>
	<u>\$ 88,769</u>	<u>\$ 95,108</u>

NOTE 3 - Individual Development Accounts Payable (IDA)

Mentoring Towards Independence (MTI) is one of our outreach programs. Participants in MTI are eligible to open an Individual Development Account (IDA). Following program guidelines, participants may deposit up to \$1,666 in their IDA. We will match every dollar the participant deposits into their IDA with two dollars (2:1), up to a maximum of \$3,334 to be used towards homeownership, further education, or starting a business. We maintain a separate cash account for this purpose. The balance of the board designated funds in the money market account as of December 31, 2017 and 2016, was \$67,204 and \$67,160, respectively.

We classified IDA payables likely to result in disbursement next fiscal year as short-term IDA payable and the remaining balance as long-term IDA payable. The classification is based on prior years' experience and our analysis of specific savings accounts. At December 31, 2017, short-term IDA payable and long-term IDA payable had a balance of \$15,000 and \$61,437, respectively. At December 31, 2016, short-term IDA payable and long-term IDA payable had a balance of \$15,000 and \$56,398, respectively.

**CHRISTIAN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 - Board Designated Unrestricted Net Assets**

A summary of board designated unrestricted net assets at December 31, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
Individual development accounts (IDA) funding	\$ 67,204	\$ 67,160

**NOTE 5 - Temporarily Restricted Net Assets**

We receive restricted donations and restricted grants. These funds are restricted for donor or grantor selected purposes or restricted to a certain time period. All amounts received are recorded as restricted revenue when the amounts are received or promised and are released from restriction as the restrictions are fulfilled. A summary of temporarily restricted net assets at December 31, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
United Way grant	\$ 7,152	\$ 17,600
Washington Foundation grant	4,535	15,403
Memorial grant	-	5,218
First Tennessee Bank grant	30,000	-
Scholarships	2,817	3,717
Total temporarily restricted net assets	<u>\$ 44,504</u>	<u>\$ 41,938</u>

**NOTE 6 - Leases**

We have lease agreements for office space and office equipment. The total rent expense for the year ended December 31, 2017, and 2016, was \$2,860 and \$2,721, respectively.

The following is a schedule of future minimum lease payments:

<u>Year Ending December 31,</u>	
2018	\$ 2,136
2019	2,136
2020	<u>1,246</u>
	<u>\$ 5,518</u>

Our office lease is encompassed in our agreement with Metropolitan Development and Housing Agency, described in Note 7.

**NOTE 7 - Related Party Transactions**

We have an agreement with Metropolitan Development and Housing Agency (MDHA) to provide day care services at the Community Center in Vine Hill Homes.

**CHRISTIAN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
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**NOTE 7 - Related Party Transactions**

We have an agreement with Schrader Lane Child Care Services Center (Schrader Lane) through which Schrader Lane provides workforce and management services that are appropriate for fulfilling the obligations to maintain a child daycare center at the Community Center. Schrader Lane is fully responsible for the actions of the individuals who perform services related to the Schrader Lane Child Care Services Center.

Schrader Lane pays all expenses it incurs in performing its obligations under this agreement. We have no financial obligation to Schrader Lane. Activities and transactions related to the agreement have not been included in our financial statements.

**NOTE 8 - New Pronouncements**

In May 2014, FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Update provides guidance about recording contract revenue on an organization's statement of activities. The amendments in this Update are effective for annual periods beginning after December 15, 2018, and for annual periods and interim periods thereafter with early adoption permitted for annual periods beginning after December 15, 2016. We are currently evaluating the impact of adopting this statement.

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2019, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

In August 2016, FASB issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Update provides guidance about the presentation of financial statements for non-profit organizations. The amendments in this Update are effective for annual periods beginning after December 15, 2017, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

In August 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the Statement of Cash Flows. The amendments will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact of adopting this statement.

In November 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the impact of adopting this guidance on the financial statements.

**NOTE 9 - Subsequent Events**

We have evaluated events subsequent to the year ending December 31, 2017. As of March 24, 2018, the date the financial statements were available to be issued, no events subsequent to the Statement of Financial Position date are considered necessary to be included in the financial statements for the year ended December 31, 2017.



## PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

March 24, 2018

To the Board of Directors  
Christian Community Services, Inc.

We have audited the financial statements of Christian Community Services, Inc. (the "Organization") for the year ended December 31, 2017, and have issued our report thereon dated March 24, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 20, 2017. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Christian Community Services, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the short-term Individual Development Accounts Payable is based on historical information. We evaluated the key factors and assumptions used to develop the short-term Individual Development Accounts Payable in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of in Note 1 to the financial statements describing the basis of allocation of functional expenses into their appropriate functional categories.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of audit procedures were corrected by management: accrued wages and accounts payable.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 24, 2018.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

This information is intended solely for the use of the Board of Directors of Christian Community Services, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Patterson Handley & Ballentine*

## FINANCIAL STATEMENTS

DECEMBER 31, 2017

Financial Statement Effect—Amount of Over (Under) Statement of:										
Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	W/P Reference	Total Assets	Total Liabilities	Net Assets	Revenues	Expenses	Change in Net Assets	Working Capital
Depreciation expense does not agree	F	A/D did not agree in PY	I-1			\$711		-\$711	\$711	
Time restriction was not properly released in prior year	F	Time restriction was not properly released in prior year	U-1.1			-\$8,800			\$0	
Time restriction was not properly released in prior year	F	Time restriction was not properly released in prior year	U-1.1			\$8,800			\$0	
									\$0	
									\$0	
									\$0	
									\$0	
									\$0	
									\$0	
									\$0	
Total				\$0	\$0	\$711	\$0	-\$711	\$711	\$0
Less Audit Adjustments Subsequently Booked										
Unadjusted AD—Current Year (Iron Curtain Method)				\$0	\$0	\$711	\$0	-\$711	\$711	\$0
Effect of Unadjusted AD—Prior Years									\$0	
Combined Current and Prior Year AD (Rollover Method)				\$0	\$0	\$711	\$0	-\$711	\$711	\$0
Financial Statement Caption Totals				\$406,636	\$85,337	\$321,299	\$311,471	\$251,064	\$60,407	
Current Year AD as % of FS Captions (Iron Curtain Method)				0.00%	0.00%	0.22%	0.00%	-0.28%	1.18%	0.00%
Current and Prior Year AD as % of FS Captions (Rollover Method)				0.00%	0.00%	0.22%	0.00%	-0.28%	1.18%	0.00%

**Qualitative Factors:** Describe qualitative factors that entered into your evaluation of whether uncorrected accumulated misstatements are material, individually or in the aggregate, in relation to specific accounts and disclosures and to the financial statements as a whole, and the reasons why.

**Conclusion:** Based on the results of the evaluation performed above, as well as the consideration of qualitative factors, uncorrected audit differences, individually and in the aggregate, ☐ do ☒ do not cause the financial statements taken as a whole to be materially misstated.



## PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

March 24, 2018

To the Management of  
Christian Community Services, Inc.

In planning and performing our audit of your financial statements for the year ended December 31, 2017, we became aware of several matters that are opportunities for strengthening operating effectiveness for Christian Community Services, Inc. (CCSI).

This letter does not affect our report dated March 16, 2018, on the financial statements of Christian Community Services, Inc. We will review the status of these comments during our next engagement. Our comments and recommendations are intended to improve your current accounting policies, operating effectiveness and internal controls. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

### **Segregation of Duties**

We noted most activities related to cash receipts are being performed by both the Administrative Program Assistant and the Executive Director. Segregation of these duties could result in stronger internal controls for CCSI. We recommend that only one person open the mail and make copies of the checks received and that the list (copies) be given to a person who does not have access to the accounting system or the live checks. This second person will reconcile the list to the bank statement deposits. We understand that a complete segregation of duties is impractical in a small office with limited personnel and that absences complicate the issue further. The description here is just one way of segregating duties. We've attached a table to facilitate discussion with the board and help you separate the job duties.

### **Preparation for New Accounting Standards**

#### **Financial Statement presentation**

The implementation of ASU 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* will, among other things, improve the consistency in the reporting of functional expenses and clarify information regarding liquidity and availability of cash. As this standard is effective for annual periods beginning after December 15, 2017, we recommend that procedures be put in place to **immediately** start reporting in accordance with the standard to include:

- Revision of net asset classifications - adjust financial reports to classify net assets into two categories: *Without Donor Restrictions* and *With Donor Restrictions*, paying close attention to revisions for reporting underwater endowments, and provide the proper disclosures
  - Please provide us with your analysis of the amounts restricted by donors (including your endowment) as compared to the balances of the accounts where the funds are held.
- Reporting of all external and direct internal investment expenses as netted against investment return on the statement of activities
  - Please keep a schedule of the investment fees charged by your external investment advisors as well as an accounting of the time spent by internal staff on investment decisions and activities.
- Reporting of expenses by both functional and natural classification, using the improved guidance about items that are required to be reported as management and general expenses
  - We recommend that you begin tracking your expenses by function (program, management and general and fundraising) in addition to the nature classifications

(salaries, supplies, rent, etc.), if you are not already doing so. We will be asking you for this schedule before we begin your next engagement.

- This expense schedule should include expenses that are normally netted with revenue such as costs of special events or costs of goods sold.
- Please review the AICPA guidance on what items should be classified as management and general.
- You will be required to describe your method of allocation. Current standards only require that you disclose that you do allocate.
- Disclosing the availability of the Organization's financial assets at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date. If the Organization does not have current assets readily available to meet general expenditures within one year of the balance sheet date, management must disclose its plan to meet cash requirements that will fund the year's expenses.
  - We recommend that you begin working on your policy for liquidity. How do you make sure you'll have enough funding to cover expenses? How far into the future are you reviewing this information? We will be asking you for this policy before we begin your next engagement.

### Revenue Recognition

The implementation of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* also aims to improve comparability across industries and markets, and requires disclosures for clarity and understanding. While this standard is not effective until the annual period beginning after December 15, 2018, it is required that it be applied retrospectively. Therefore you need to apply the criteria for your 2018 calendar year. We recommend that management begin to apply the core principle of the standard by documenting the Organization's revenue streams and going through the steps below to determine when revenue should be recognized. Please document for your 2018 calendar year the following items. We will be asking you for your analysis of these items before we begin your next engagement. We are happy to review these items during your next engagement to ensure you are ready to implement the standard.

- Identify the contract(s) with the customer
  - You need to make a list of all of your sources of income.
- Identify the performance obligations
  - Please document what you have to do to get paid for each source of income.
- Determine the transaction price
  - This is the price of the contract. It could be one total price or a daily rate for a service or a series of payments. Please document this for each source of income.
- Allocate the transaction price
  - Please document if you get paid for each day of service or only when the project is complete. What's the unit price associated with each obligation you have? Document if you get paid in increments and what you have to do to get the incremental payment.
- Recognize revenue when (or as) a performance obligation is satisfied
  - Once you determine that you have fulfilled your obligation for each allocated price, you can record revenue for that element of the contract.

### Leases

We recommend that management begin reviewing all leases engaged in by the Organization (as a lessor or lessee) to start preparing for reporting changes and disclosure requirements included in ASU 2016-02 *Leases (Topic 842)*, that will be effective for annual periods beginning after December 15, 2019. Under this new accounting standard, most leases will need to be recorded as a liability on your financial statements. You will also record an asset for the right to use the leased property.

Please contact us for additional information and guidance as you are going through the process of determining how these new standards will affect your organization.

This information is intended solely for the use of management, the Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, or to assist you in implementing the recommendations.

As always, thank you for your business, and please call us with any questions!

*Patterson Hande & Bellentine*

Segregation of Duties Table to Improve Internal Controls

Control Activity	Number of Employees		
	2	3	4
<b>Cash</b>			
Physical access to undeposited funds	B	B	B
Open & review bank statement	A	A	A
Reconcile bank statement	B	C	D
<b>Sales &amp; Accounts Receivable</b>			
Create invoices	B	B	B
Open mail/receive & list receipts	A	C	C
Enter receipts into general ledger	B	B	B
Prepare bank deposit	B	C	C
Review accounts receivable aging	A	A	A
Void invoices and/or create credit memos	A	A	D
<b>Expenses &amp; Accounts Payable</b>			
Approve invoices	A	A	D
Write/print checks	B	C	C
Sign checks	A	A	A
Review accounts payable aging	A	A	A
Void checks and/or create debit memos	A	A	D
<b>Payroll</b>			
Approve time cards/salary amounts	A	A	D
Prepare payroll checks	B or vendor	B or vendor	B or vendor
Sign payroll checks	A	A	A
Distribute payroll checks	A	A	D

Table Key-Duties to be Performed by:

A - Owner or top manager

C - Secondary accounting assistant

B - Primary accounting assistant (or an office manager)

D - Another manager level employee