

**COMMUNITY CARE FELLOWSHIP, INC.**  
**Financial Statements**  
**December 31, 2012**

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# Parker, Parker & Associates, PLC

Certified Public Accountants

1000 NORTHCHASE DRIVE - SUITE 260  
GOODLETTSVILLE, TN 37072

STEVEN B. PARKER, CPA  
CHARLES N. PARKER, CPA  
KAREN R. STEPHENS, CPA  
LAUREN S. ALLEN, CPA  
J. MATTHEW STAMPER, CPA  
JILL C. COLEMAN, CPA  
JANA N. LOWE, CPA

TELEPHONE: 615-859-8800  
FAX: 615-859-8188  
WWW.PARKERCPA.NET

## *Independent Auditors' Report*

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

We have audited the accompanying financial statements of Community Care Fellowship, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets— modified cash basis as of December 31, 2012 and 2011, and 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 as 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.

### **Auditor's 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 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.

As more fully described in Note 1 to the financial statements, certain property is stated at management's estimate of value in the accompanying financial statements. The Organization has not recorded all property acquisitions and related depreciation of the property. All property acquisitions should be capitalized at historical cost and depreciated over its estimated useful life to conform with the modified cash basis of accounting. The effects on the financial statements of the preceding practices are not reasonable determinable.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, except for the effects of recording certain property at management's estimated value, not capitalizing and depreciating certain property and equipment, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Community Care Fellowship, Inc. as of December 31, 2012 and 2011, and its support, revenue, and expenses and change in net assets for the years then ended in accordance with the basis of accounting as described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. 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 the basis of accounting.

*Parker, Parker & Associates*

August 5, 2013

**COMMUNITY CARE FELLOWSHIP, INC.**  
**Statements of Assets, Liabilities and Net Assets - Modified Cash Basis**  
**December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 169,535	\$ 176,282
Investments	140,723	107,991
Property and Furnishings at estimated values (Note 3)	1,287,500	1,287,500
Other Asset	<u>-</u>	<u>235</u>
Total Assets	<u>\$ 1,597,758</u>	<u>\$ 1,572,008</u>
<b>Liabilities and Net Assets</b>		
Accrued Payroll Liabilities	\$ 2,985	\$ 2,962
Note Payable	<u>76,569</u>	<u>94,068</u>
Total Liabilities	<u>79,554</u>	<u>97,030</u>
<b>Net Assets</b>		
Unrestricted	1,443,204	1,399,978
Unrestricted - Board Designated	<u>75,000</u>	<u>75,000</u>
Total Net Assets	<u>1,518,204</u>	<u>1,474,978</u>
Total Liabilities and Net Assets	<u>\$ 1,597,758</u>	<u>\$ 1,572,008</u>

See independent auditors' report and notes to financial statements.

**COMMUNITY CARE FELLOWSHIP, INC.**  
**Statement of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis**  
**For the Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Public Support and Revenue:</b>		
Contributions:		
Individuals	\$ 165,235	\$ 250,795
Local Churches	89,248	81,024
Church Agencies	8,945	15,827
Organizations	75,887	5,783
Other Receipts	-	250
Total Contributions	<u>339,315</u>	<u>353,679</u>
Grants	65,500	74,569
Investment Income, net	<u>12,784</u>	<u>(1,269)</u>
Total Public Support and Revenue	<u>417,599</u>	<u>426,979</u>
<b>Expenses:</b>		
Salaries and Benefits	188,529	163,345
Food and Supplies	63,616	43,594
Utilities	32,651	32,036
Professional Fees	125	11,032
Insurance	16,081	21,971
Housing Expense	18,000	16,361
Repairs and Maintenance	37,472	18,365
Interest Expense	4,373	7,369
Postage and Printing	5,615	9,386
Telephone	3,800	5,168
Other	4,111	1,876
Total Expenses	<u>374,373</u>	<u>330,503</u>
Change in Net Assets	43,226	96,476
Net Assets - Beginning of Year	<u>1,474,978</u>	<u>1,378,502</u>
Net Assets - End of Year	<u><u>\$ 1,518,204</u></u>	<u><u>\$ 1,474,978</u></u>

See independent auditors' report and notes to financial statements.

**COMMUNITY CARE FELLOWSHIP, INC.**  
**Notes to Financial Statements**  
**December 31, 2012 and 2011**

**Note 1. Summary of Significant Accounting Policies**

**A. About the Organization**

Community Care Fellowship, Inc. ("CCF") is a non-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. No temporarily restricted assets were held during the years ended December 31, 2012 and 2011.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that they be maintained permanently by CCF. Generally donors of these assets may permit CCF to use all or part of the income earned for general or specific purposes.

**D. Cash and Cash Equivalents**

CCF considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**E. 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.

**COMMUNITY CARE FELLOWSHIP, INC.**  
**Notes to Financial Statements**  
**December 31, 2012 and 2011**

**Note 1. Summary of Significant Accounting Policies – Continued**

**F. Fair Value**

CCF determines the fair market 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.

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.

**G. 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.

**H. 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.

**I. Reclassifications**

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 presentation.

**Note 2. Investments**

CCF holds investments with the Nashville Area United Methodist Foundation. These investments are carried at the fair market value determined on December 31, 2012 and 2011, using quoted market prices, less a management fee. The fair value of the investments was \$140,723 and \$107,991 for the years ended December 31, 2012 and 2011.

Investment income is comprised of the following at December 31:

	<b>2012</b>	<b>2011</b>
Realized Gains/(Losses)	\$ 2,455	\$ 1,784
Unrealized Gains/(Losses)	8,927	(4,171)
Interest	2,428	2,233
Dividends	92	62
	<u>13,902</u>	<u>(93)</u>
Less Investment Fees	<u>1,117</u>	<u>1,176</u>
Investment Income, net	<u>\$ 12,784</u>	<u>\$ (1,269)</u>

**Note 3. Fair Value Measurements**

The following assets carried at fair value are reviewed and adjusted on a recurring basis based on quoted market prices. Fair value at December 31, 2012 and 2011 is as follows:

**COMMUNITY CARE FELLOWSHIP, INC.**  
**Notes to Financial Statements - Continued**  
**December 31, 2012 and 2011**

**Note 3. Fair Value Measurements – Continued**

<u>Assets</u>	<u>Fair Value December 31, 2012</u>	<u>Quoted Prices in Active Markets for Similar Assets (Level 2)</u>
Investments	\$ 140,723	\$ 140,723

  

<u>Assets</u>	<u>Fair Value December 31, 2011</u>	<u>Quoted Prices in Active Markets for Similar Assets (Level 2)</u>
Investments	\$ 107,991	\$ 107,991

**Note 4. Property and Furnishings**

Property and furnishings consist of the following at December 31:

	<u>2012</u>	<u>2011</u>
Buildings	\$ 1,107,000	\$1,107,000
Furnishings	180,500	180,500
	<u>1,287,500</u>	<u>1,287,500</u>
Less Accumulated Depreciation	-	-
	<u><u>\$ 1,287,500</u></u>	<u><u>\$1,287,500</u></u>

As discussed in Note 1, and consistent with its previous practices, CCF has 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. Also, CCF has not recorded depreciation on its property and furnishings.

**Note 5. Note Payable**

Note payable consists of a loan that is being repaid in monthly installments of \$1,823, including interest at a fixed rate of 5.50% until February 2021, at which time the remaining outstanding principal and interest will be due and payable. The note allows the lender to change the interest rate every two years. Effective March 1, 2013, the note was amended to bear interest at a rate of 4.50%.

Future principal maturities of the loan are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2013	\$ 18,109
2014	19,130
2015	20,209
2016	19,120
	<u><u>\$ 76,569</u></u>

**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 statement as the financial statements are prepared on the modified cash basis of accounting. Volunteers donated approximately 4,600 hours to CCF's programs during each of the years ended December 31, 2012 and 2011, respectively.

**COMMUNITY CARE FELLOWSHIP, INC.**  
**Notes to Financial Statements - Continued**  
**December 31, 2012 and 2011**

**Note 7. Kern Memorial Property Fund**

The Nashville Area United Methodist Foundation maintains investments on behalf of the United Methodist Church, known as the Kern Memorial Property Fund (the "Fund"). 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. In 2012, CCF's Board of Directors authorized a disbursement of \$20,000 out of the Kern Memorial Property Fund. This amount is included in grant revenue for 2012. No disbursement was made in 2011.

The balance of the Fund held for the benefit of CCF totaled approximately \$217,661 and \$223,357 at December 31, 2012 and 2011.

**Note 8. Subsequent Event**

CCF has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2012 through August 5, 2013, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.