

2016
Financial Statements
With
Auditor's Letters

CHRISTIAN COMMUNITY SERVICES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2015)

(With Independent Auditor's Report Thereon)

CHRISTIAN COMMUNITY SERVICES, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2015

CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Audited Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 – 12



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, 2016, 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, 2016, 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 2015 financial statements, and our report dated March 22, 2016, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Patterson Hardee & Ballentine

April 28, 2017

CHRISTIAN COMMUNITY SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash	\$ 130,774	\$ 85,919
Prepaid expenses	-	504
Total current assets	<u>130,774</u>	<u>86,423</u>
Property and equipment, net	<u>95,108</u>	<u>102,289</u>
Assets whose use is limited:		
Cash - board designated	67,160	69,022
Cash - temporarily restricted	33,140	32,817
Restricted grant receivable	<u>8,798</u>	<u>-</u>
Total assets whose use is limited	<u>109,098</u>	<u>101,839</u>
	<u><u>\$ 334,980</u></u>	<u><u>\$ 290,551</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ -	\$ 501
Accrued payroll	2,690	1,605
Current portion of IDA payable	<u>15,000</u>	<u>20,000</u>
Total current liability	<u>17,690</u>	<u>22,106</u>
IDA payable, less current portion	<u>56,398</u>	<u>45,414</u>
Total liabilities	<u>74,088</u>	<u>67,520</u>
Net Assets:		
Unrestricted	151,794	121,192
Unrestricted - board designated	<u>67,160</u>	<u>69,022</u>
Total unrestricted net assets	<u>218,954</u>	<u>190,214</u>
Temporarily restricted	<u>41,938</u>	<u>32,817</u>
Total net assets	<u>260,892</u>	<u>223,031</u>
	<u><u>\$ 334,980</u></u>	<u><u>\$ 290,551</u></u>

See accompanying notes to financial statements.

CHRISTIAN COMMUNITY SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2015

	2016			Total	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	2016	2015
Public Support and Revenues:					
Direct public support	\$ 158,282	\$ 35,238	\$ -	\$ 193,520	\$ 209,282
Grants	46,238	-	-	46,238	65,424
Program fees	3,455	-	-	3,455	4,610
Fundraising	2,112	-	-	2,112	9,592
Net assets released from restrictions	26,117	(26,117)	-	-	-
Total public support and revenues	236,204	9,121	-	245,325	288,908
Expenses:					
Program services	135,563	-	-	135,563	198,851
Management and general	67,346	-	-	67,346	30,164
Fundraising	4,555	-	-	4,555	19,487
Total expenses	207,464	-	-	207,464	248,502
Increase in net assets	28,740	9,121	-	37,861	40,406
Net assets - beginning of year	190,214	32,817	-	223,031	182,625
Net assets - end of year	<u>\$ 218,954</u>	<u>\$ 41,938</u>	<u>\$ -</u>	<u>\$ 260,892</u>	<u>\$ 223,031</u>

See accompanying notes to financial statements.

CHRISTIAN COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2015

	Family Mentoring	Basic Financial Training	Total Program Services	Supporting Services		Total 2016	Total 2015
				Management and General	Fundraising		
Banquet	\$ 63	\$ -	\$ 63	\$ -	\$ -	\$ 63	\$ 4,435
Bank and finance charges	-	-	-	460	-	460	121
Communications - website	-	-	-	440	-	440	183
Consulting	120	-	120	810	-	930	1,788
Childcare	-	1,440	1,440	-	-	1,440	880
Credit reports	547	19	566	-	-	566	265
Depreciation	-	-	-	7,770	-	7,770	7,233
Dues and subscriptions	-	-	-	-	-	-	150
Equipment	-	-	-	-	-	-	1,425
Food	6,993	2,079	9,072	-	-	9,072	7,534
Fundraiser	-	-	-	-	-	-	4,330
Gifts	1,914	-	1,914	203	-	2,117	2,183
IDA matching expenses	20,527	-	20,527	-	-	20,527	17,630
Insurance	-	-	-	6,994	-	6,994	7,060
Janitorial service	-	300	300	1,000	-	1,300	2,200
Marketing	2,391	126	2,517	155	-	2,672	6,914
Office supplies	54	54	108	355	-	463	1,508
Payroll expenses	78,124	8,681	86,805	34,928	4,280	126,013	146,245
Postage and delivery	102	12	114	414	-	528	640
Printing and reproduction	2,177	408	2,585	136	-	2,721	3,420
Professional fees	4,400	-	4,400	9,234	-	13,634	9,617
Supplies, materials and food	3,774	190	3,964	313	-	4,277	6,072
Telephone	-	-	-	3,682	-	3,682	4,616
Training	300	200	500	748	275	1,523	9,326
THDA expense	-	-	-	-	-	-	281
Transportation	154	-	154	118	-	272	2,446
	<u>\$ 121,640</u>	<u>\$ 13,509</u>	<u>\$ 135,149</u>	<u>\$ 67,760</u>	<u>\$ 4,555</u>	<u>\$ 207,464</u>	<u>\$ 248,502</u>

See accompanying notes to financial statements.

CHRISTIAN COMMUNITY SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Increase in net assets	<u>\$ 37,861</u>	<u>\$ 40,406</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	7,770	7,233
Changes in:		
Prepaid expenses	504	780
Assets whose use is limited	(7,259)	(6,571)
Accounts payable	(501)	(1,717)
Accrued payroll	1,085	110
IDA payable	<u>5,984</u>	<u>2,870</u>
Total adjustments	<u>7,583</u>	<u>2,705</u>
Net cash provided by operating activities	<u>45,444</u>	<u>43,111</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	<u>(589)</u>	<u>-</u>
Net cash used in investing activities	<u>(589)</u>	<u>-</u>
Net increase in cash	44,855	43,111
Cash - beginning of year	<u>85,919</u>	<u>42,808</u>
Cash - end of year	<u><u>\$ 130,774</u></u>	<u><u>\$ 85,919</u></u>

See accompanying notes to financial statements.

CHRISTIAN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2015

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 create inspiration for underserved families so they may achieve quality, productive lives and build a legacy of self-sufficiency. Our vision is to build a community where no one is underserved and all have achieved self-sufficiency.

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 Workshops (BFT) are eight hour certificate based workshops that provide participants with basic financial management skills. The four-part series reminds students how mainstream financial centers help build assets while predatory lenders destroy credit, and provides tips and tricks on planning for large asset purchases such as auto, school and retirement. The second workshop focuses on the importance of establishing a savings account and the basics of budgeting. Participants must create a zero based budget and track daily expenses for the entire 4-week period. During the third session we actually pull their credit report and review why good credit is important, how credit scores are calculated, how to pull their own credit report and what transactions impact credit scores. The fourth class is a teaser for our homebuyer education workshop. Participants review steps to homeownership and are provided with an overview of options and the importance of planning for a purchase and the sustainability of that important purchase.

BFT workshops are open to the public at large but are a pre-requisite for the Mentoring Towards Independence program. BFT workshops are held approximately four times per year, with child care and a light meal provided for the Monday night classes. 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 over 120 volunteers each month to provide nutritious family style meals. The program mentors and tutors approximately 20 families per program year. Life Enhancing Topics are taught the first semester, and these topics address the behaviors that impact money management decisions. The second semester finds the participants thoroughly engaged in Financial Peace University. Throughout the week the participants (mentees) meet with their mentor, and the mentees meet once a month for budget coaching and goal progress.

Another great component of MTI is the Individual Development Accounts (IDA's), described in Note 3. The IDA's are matched saving accounts in which we give \$2 for every \$1 saved up to \$3,334. An IDA participant has 5 years to save \$1,666 and receive our matched portion; giving mentees \$5,000 for the purchase of a house, micro-enterprise or higher education. To date we have 157 families who are self-sufficient, with 114 of those as first-time homeowners and the rest paying fair market rent.

CHRISTIAN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

Program Descriptions (continued)

Mentoring Towards Independence (continued)

To keep IDA savers encouraged and engaged as they prepare for their asset purchase, we offer quarterly Savers Clubs. 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.

The children also learn many of the same concepts as the adults. The children are engaged with their Tutors in homework assistance and in character development, career exploration and Financial Fitness for Life curriculum. Additionally, the children are working on the "Earn It. Save It." initiative in which they are earning points which equals a monetary award, thus reinforcing rewards for earning income.

Homebuyer Education Workshops

To provide a continuum of care and provide a self-sufficient income program, we offer Tennessee Housing Development Agency Certified Homebuyer Education (THDA) 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. There is a \$15 fee for this class.

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:

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, 2016 and 2015.

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 2015 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, 2015, from which it was derived.

CHRISTIAN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

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, 2016 and 2015, 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.

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, 2016, no assets were considered to be impaired.

Advertising

Advertising is expensed as incurred.

CHRISTIAN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

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.

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.

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, 2016 and 2015, we received 46% and 40%, 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.

CHRISTIAN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2015

NOTE 2 - Property and Equipment

A summary of property and equipment at December 31, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Building	\$ 200,000	\$ 200,000
Automobiles	17,833	17,833
Office equipment	<u>27,506</u>	<u>26,917</u>
	245,339	244,750
Less: accumulated depreciation	<u>(150,231)</u>	<u>(142,461)</u>
	<u>\$ 95,108</u>	<u>\$ 102,289</u>

NOTE 3 - Individual Development Accounts Payable (IDA)

Mentoring Towards Independence (MTI) is one of our outreach programs. Individuals who are enrolled in the program are eligible to open an Individual Development Account (IDA). We will match every dollar the participant deposits into a savings account with two dollars (2:1), up to a maximum of \$3,334 to be used towards a down payment towards a home, 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, 2016 and 2015, was \$67,160 and \$69,022, 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, 2016, short-term IDA payable and long-term IDA payable had a balance of \$15,000 and \$56,398, respectively. At December 31, 2015, short-term IDA payable and long-term IDA payable had a balance of \$20,000 and \$45,414, respectively.

NOTE 4 - Board Designated Unrestricted Net Assets

A summary of board designated unrestricted net assets at December 31, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Individual development accounts (IDA) funding	<u>\$ 67,160</u>	<u>\$ 69,022</u>

CHRISTIAN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2015

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, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
United Way grant	\$ 17,600	\$ -
Washington Foundation grant	14,807	13,811
Memorial grant	5,814	9,373
Bank of America grant	-	5,916
Scholarships	3,717	3,717
Total temporarily restricted net assets	<u>\$ 41,938</u>	<u>\$ 32,817</u>

NOTE 6 - Leases

We have lease agreements for office space and office equipment. The total rent expense for the year ended December 31, 2016 and 2015, was \$2,721 and \$3,420, respectively.

The following is a schedule of future minimum lease payments:

<u>Year Ending December 31,</u>	
2017	\$ 2,136
2018	2,136
2019	2,136
2020	<u>1,246</u>
	<u>\$ 7,654</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.

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.

CHRISTIAN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2015

NOTE 8 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2016. As of April 28, 2017, 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, 2016.