

CHRISTIAN COMMUNITY SERVICES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)

(With Independent Auditor's Report Thereon)

CHRISTIAN COMMUNITY SERVICES, INC.
DECEMBER 31, 2019
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2018

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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, 2019, 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 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.

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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Patterson Hardee & Ballentine

July 24, 2020

CHRISTIAN COMMUNITY SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2018

<u>ASSETS</u>			
		<u>2019</u>	<u>2018</u>
Current Assets:			
Cash		\$ 359,449	\$ 293,568
Restricted cash		70,714	68,637
Prepaid expenses		2,873	2,613
Accounts receivable		459	25,456
Total current assets		<u>433,495</u>	<u>390,274</u>
Property and equipment, net		<u>78,479</u>	<u>83,597</u>
Assets whose use is limited:			
Grant receivable - donor restriction		<u>18,000</u>	<u>5,002</u>
Total assets whose use is limited		<u>18,000</u>	<u>5,002</u>
		<u>\$ 529,974</u>	<u>\$ 478,873</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Accounts payable		\$ 3,291	\$ 5,593
Accrued payroll		4,418	6,156
Current portion of IDA payable		<u>20,000</u>	<u>20,000</u>
Total current liability		<u>27,709</u>	<u>31,749</u>
IDA payable, less current portion		<u>102,460</u>	<u>68,065</u>
Total liabilities		<u>130,169</u>	<u>99,814</u>
Net Assets:			
Without donor restrictions		311,091	305,420
With donor restrictions		<u>88,714</u>	<u>73,639</u>
Total net assets		<u>399,805</u>	<u>379,059</u>
		<u>\$ 529,974</u>	<u>\$ 478,873</u>

See accompanying notes to financial statements.

CHRISTIAN COMMUNITY SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2018

	Without donor restrictions	With donor restrictions	2019	2018
Public Support and Revenues:				
Gross special events revenue	\$ 43,106	\$ -	\$ 43,106	\$ 36,324
Less direct costs of special events	(5,564)	-	(5,564)	(5,195)
Net special events revenue	37,542	-	37,542	31,129
Direct public support	170,604	43,000	213,604	232,345
Grants	43,000	-	43,000	63,000
Program fees	5,318	-	5,318	5,821
Fundraising	118	-	118	5,696
Interest income	46	-	46	-
In kind	-	-	-	2,300
Net assets released from restrictions	27,925	(27,925)	-	-
Total public support	247,011	15,075	262,086	309,162
Total public support and revenues	284,553	15,075	299,628	340,291
Expenses:				
Program activities:				
Mentoring Towards Independence	141,285	-	141,285	174,191
Homebuyer Education	8,139	-	8,139	6,588
Basic Financial Training	12,356	-	12,356	12,563
	161,780	-	161,780	193,342
Supporting services:				
Management and general	103,218	-	103,218	73,416
Fundraising	13,884	-	13,884	15,773
Total supporting services	117,102	-	117,102	89,189
Total expenses	278,882	-	278,882	282,531
Increase in net assets	5,671	15,075	20,746	57,760
Net assets - beginning of year	305,420	73,639	379,059	321,299
Net assets - end of year	\$ 311,091	\$ 88,714	\$ 399,805	\$ 379,059

See accompanying notes to financial statements.

CHRISTIAN COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2018

	Mentoring Towards Independence	Homebuyer Education	Basic Financial Training	Total Program Services	Management and General	Fundraising	Total 2019	Total 2018
Banquet	\$ 7,402	\$ -	\$ -	\$ 7,402	\$ -	\$ -	\$ 7,402	\$ 6,043
Bank and finance charges	-	-	-	-	36	-	36	33
Communications - website	-	-	-	-	236	-	236	236
Consulting	5,424	-	-	5,424	296	-	5,720	1,469
Childcare	-	-	-	-	-	99	99	-
Credit reports	186	-	-	186	-	-	-	1,160
Depreciation	-	-	-	-	5,118	-	5,118	5,172
Food	8,553	559	432	9,544	29	-	9,573	8,558
Direct costs of special events	-	-	-	-	-	5,564	5,564	5,195
Gifts	2,400	-	-	2,400	217	-	2,617	3,856
IDA matching expenses	6,477	-	-	6,477	40,600	-	47,077	43,742
In kind	-	-	-	-	513	-	513	2,300
Insurance	-	-	-	-	7,624	-	7,624	6,971
Janitorial service	550	-	50	600	475	-	1,075	950
Marketing	-	-	-	-	108	938	1,046	48
Office supplies	71	-	-	71	430	-	501	599
Payroll expenses	98,956	5,821	11,642	116,419	27,781	12,847	157,047	163,297
Postage and delivery	-	-	-	-	453	-	453	613
Rent	2,741	-	-	2,741	869	-	3,610	3,405
Professional fees	-	-	-	-	16,384	-	16,384	16,170
Supplies and materials	4,920	1,759	232	6,911	-	-	6,911	5,569
Telephone	-	-	-	-	-	-	-	4,335
Training	3,605	-	-	3,605	1,787	-	5,392	7,045
Transportation	-	-	-	-	262	-	262	960
Total expenses by function	141,285	8,139	12,356	161,780	103,218	19,448	284,446	287,726
Less expenses included with revenues on the statement of activities:	-	-	-	-	-	(5,564)	(5,564)	(5,195)
Direct costs of special events	-	-	-	-	-	-	-	-
Total expenses included in the expense section on the statement of activities	\$ 141,285	\$ 8,139	\$ 12,356	\$ 161,780	\$ 103,218	\$ 13,884	\$ 278,882	\$ 282,531

CHRISTIAN COMMUNITY SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Increase in net assets	<u>\$ 20,746</u>	<u>\$ 57,760</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	5,118	5,172
Changes in:		
Prepaid expenses	(260)	37
Accounts receivable	24,997	(25,000)
Assets whose use is limited	(12,998)	106,706
Accounts payable	(2,302)	593
Accrued payroll	(1,738)	2,256
IDA payable	<u>34,395</u>	<u>11,628</u>
Total adjustments	<u>47,212</u>	<u>101,392</u>
Net cash provided by operating activities	<u>67,958</u>	<u>159,152</u>
Net increase in cash	67,958	159,152
Cash and restricted cash - beginning of year	<u>362,205</u>	<u>203,053</u>
Cash and restricted cash - end of year	<u><u>\$ 430,163</u></u>	<u><u>\$ 362,205</u></u>

See accompanying notes to financial statements.

CHRISTIAN COMMUNITY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2018

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 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 well-being 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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2018

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 4. 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 176 families have achieved self-sufficiency, with 131 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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2018

NOTE 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as net assets without donor restrictions.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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 2018 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, 2018, 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, 2019 and 2018, 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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2018

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 their 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, 2019, 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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2018

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 years ended December 31, 2019, and 2018, we received 37% from two churches and 48% from two churches and one donor, respectively.

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 or supporting functions are allocated based on various relationships. Food, gifts, janitorial services, postage and delivery, supplies and material, rent, and transportation are allocated on an expenditure by expenditure basis and allocated to the direct program benefited or to management and general if no programs are benefited. Payroll expenses and training are allocated based on time and effort.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

New Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued two Accounting Standard Updates that will affect the Organization's revenue recognition. The first, Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This Update requires entities to make new judgements and estimates and provide expanded disclosures about revenue.

CHRISTIAN COMMUNITY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2018

NOTE 1 - Summary of Significant Accounting Policies (continued)

The second, Accounting Standards Update No. 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. We have adopted these standards retrospectively during 2019. The adoption of this standard had no effect on beginning net assets on our statement of activities for the year ended December 31, 2019.

In November 2016, the FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified on the statements of financial position and cash flows. The statements of financial position and cash flows have been presented to reflect this Accounting Standards Update at December 31, 2019, and certain reclassifications of prior year summarized amounts have been made to conform to the current year presentation.

NOTE 2 - Availability and Liquidity

Financial assets at year-end:

Cash	\$ 278,548
Accounts receivable	459
Assets limited to use:	
Board designated	<u>80,901</u>
	<u><u>\$ 359,908</u></u>

The Organization has certain board-designated assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above. Additionally, the Organization has certain donor imposed assets limited to use that are not available within one year in the normal course of business and are described further in Note 5.

In the next fiscal year, we plan to receive the same level of contributions, and consider contributions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. Cash is currently held in one bank account. This cash is readily available with the exception of the restricted amounts referenced in Note 5. We manage our liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures.

CHRISTIAN COMMUNITY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2018

NOTE 3 - Property and Equipment

A summary of property and equipment at December 31, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Building	\$ 200,000	\$ 200,000
Automobiles	17,833	17,833
Office equipment	<u>27,507</u>	<u>27,506</u>
	245,340	245,339
Less: accumulated depreciation	<u>(166,861)</u>	<u>(161,742)</u>
	<u>\$ 78,479</u>	<u>\$ 83,597</u>

NOTE 4 - 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, 2019 and 2018, was \$80,901 and \$67,249, 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, 2019, short-term IDA payable and long-term IDA payable had a balance of \$20,000 and \$102,460, respectively. At December 31, 2018, short-term IDA payable and long-term IDA payable had a balance of \$20,000 and \$68,065, respectively.

NOTE 5 - Net Assets

Net assets with donor restrictions were as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Specific Purpose		
United Way grant – MTI Program / IDA Match	\$ 17,152	\$ 17,152
Washington Foundation grant – Children's Program/ IDA Match	14,062	16,724
Memorial Foundation – Savers Club Program	15,000	-
First Tennessee Bank grant – IDA Match	40,220	37,483
Franklin B Jones - Scholarships	<u>2,280</u>	<u>2,280</u>
Total	<u>\$ 88,714</u>	<u>\$ 73,639</u>

NOTE 6 - Leases

We have lease agreements for office space and office equipment. The total rent expense for the year ended December 31, 2019 and 2018, was \$3,610 and \$3,405, respectively.

CHRISTIAN COMMUNITY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2018

NOTE 6 – Leases (continued)

The following is a schedule of future minimum lease payments:

Year Ending December 31,

2020

\$ 1,561

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.

NOTE 8 - New Pronouncements

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, 2021, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

NOTE 9 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2019. As of July 24, 2020, the date the financial statements were available to be issued, the COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of our operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

July 24, 2020

To the Board of Directors of
Christian Community Services, Inc.

We have audited the financial statements of Christian Community Services, Inc. for the year ended December 31, 2019, and we will issue our report thereon dated July 24, 2020. 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 19, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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. As described in Note 1, the Organization changed accounting policies related to revenue recognition by adopting FASB Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers and 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, in 2019. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. 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 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. Management has corrected all such misstatements. The following material misstatement detected as a result of audit procedures was corrected by management: beginning net assets and contributions receivable.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on 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 July 24, 2020.

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 and Management 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 Hande & Bellentine



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

To the Board of Directors and Management
Christian Community Services, Inc.
601 Benton Ave., Suite B
Nashville, TN 37204

In planning and performing our audit of the financial statements of Christian Community Services, Inc. as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Christian Community Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Christian Community Services, Inc.'s internal control to be significant deficiencies:

Monthly Reconciliation

During our audit we noted misstatements related to undeposited funds and accrued accounts, such as accounts receivable, prepaid assets and accounts payable. These misstatements should be identified during a monthly reconciliation performed by the Executive Director. The Organization should adopt a policy requiring monthly reconciliation of all balance sheet accounts to their subsidiary ledgers in order to ensure that accuracy of monthly financial statements and underlying subsidiary ledgers. Balance sheet reconciliations quickly identify errors and needed corrections. Any recording differences should be corrected before the books are closed for the month end.

This communication is intended solely for the information and 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.

Patterson Hardee & Ballentine

July 24, 2020



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

July 24, 2020

To the Management of
Christian Community Services, Inc.

In planning and performing our audit of your financial statements for the year ended December 31, 2019, we became aware of several matters that are opportunities for strengthening operating effectiveness for Christian Community Services, Inc. (CCSI).

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following letter summarizes our comments and suggestions regarding those matters. A separate letter dated July 24, 2020, contains our communication of significant deficiencies in the Organization's internal control. This letter does not affect our report dated on July 24, 2020, on the financial statements of Christian Community Services, Inc.

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

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, 2021. 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 Hardee & Ballentine

Segregation of Duties Table to Improve Internal Controls

Control Activity	Number of Employees		
	2	3	4
Cash			
Physical access to undeposited funds	B	B	B
Open & review bank statement	A	A	A
Reconcile bank statement	B	C	D
Sales & Accounts Receivable			
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
Expenses & Accounts Payable			
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
Payroll			
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