2015

Financial Statements

CHRISTIAN COMMUNITY SERVICES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2014)

(With Independent Auditor's Report Thereon)

CHRISTIAN COMMUNITY SERVICES, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2015
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2014

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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, 2015, 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, 2015, 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 2014 financial statements, and our report dated February 2, 2015, 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Patterson Hardee & Ballentine
March 22, 2016

CHRISTIAN COMMUNITY SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2014

ASSETS

	2015	2014
Current Assets:		
Cash	$ 85,919	$ 42,808
Prepaid expenses	504	1,284
Total current assets	86,423	44,092
Property and equipment, net	102,289	109,522
Assets whose use is limited:		
Cash - board designated	69,022	60,965
Cash - temporarily restricted	32,817	25,503
Restricted grant receivable	-	8,800
Total assets whose use is limited	101,839	95,268
	$ 290,551	$ 248,882

LIABILITIES AND NET ASSETS

	2015	2014
Current Liabilities:		
Accounts payable	$ 501	$ 2,218
Accrued payroll	1,605	1,495
Current portion of IDA payable	20,000	20,000
Total current liability	22,106	23,713
IDA payable, less current portion	45,414	42,544
Total liabilities	67,520	66,257
Net Assets:		
Unrestricted	121,192	87,357
Unrestricted - board designated	69,022	60,965
Total unrestricted net assets	190,214	148,322
Temporarily restricted	32,817	34,303
Total restricted net assets	32,817	34,303
Total net assets	223,031	182,625
	$ 290,551	$ 248,882

See accompanying notes to financial statements.

CHRISTIAN COMMUNITY SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2014

	2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014
Public Support and Revenues:					
Direct public support	$ 209,269	$ -	$ -	$ 209,269	$ 192,206
Grants	16,038	49,399	-	65,437	81,320
Program fees	4,610	-	-	4,610	7,640
Fundraising	9,592	-	-	9,592	21,101
Interest income	-	-	-	-	20
Net assets released from restrictions	50,885	(50,885)	-	-	-
Total public support and revenues	290,394	(1,486)	-	288,908	302,287
Expenses:					
Program services	198,851	-	-	198,851	202,004
Management and general	30,164	-	-	30,164	29,827
Fundraising	19,487	-	-	19,487	36,826
Total expenses	248,502	-	-	248,502	268,657
Increase (Decrease) in net assets	41,892	(1,486)	-	40,406	33,630
Net assets - beginning of year	148,322	34,303	-	182,625	148,995
Net assets - end of year	$ 190,214	$ 32,817	$ -	$ 223,031	$ 182,625

See accompanying notes to financial statements.

CHRISTIAN COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2014

	2015				
	Program Services	Management and General	Fundraising	Total 2015	Total 2014
Adult life basic skills	$ 4,435	$ -	$ -	$ 4,435	$ 6,614
Bank and finance charges	-	121	-	121	90
Basic financial training	880	-	-	880	1,478
Communications - website	156	18	9	183	633
Consulting	1,702	86	-	1,788	1,420
Credit reports	265	-	-	265	666
Depreciation	6,510	578	145	7,233	8,253
Dues and subscriptions	135	15	-	150	868
Equipment	1,282	114	29	1,425	731
Family mentoring	7,534	-	-	7,534	6,636
Fundraiser	-	-	4,330	4,330	4,544
Gifts	110	2,073	-	2,183	1,842
IDA matching expenses	17,630	-	-	17,630	9,220
Insurance	6,354	565	141	7,060	15,597
Janitorial service	250	1,950	-	2,200	1,825
Marketing	-	-	6,914	6,914	29,490
Office supplies	1,207	226	75	1,508	1,467
Payroll expenses	124,308	14,625	7,312	146,245	140,431
Postage and delivery	512	96	32	640	908
Printing and reproduction	2,736	513	171	3,420	3,711
Professional fees	4,808	4,809	-	9,617	9,620
Supplies, materials and food	3,428	2,546	98	6,072	10,641
Telephone	3,923	462	231	4,616	4,011
Training	7,959	1,367	-	9,326	7,411
THDA expense	281	-	-	281	147
Transportation	2,446	-	-	2,446	403
	$ 198,851	30,164	19,487	$ 248,502	$ 268,657

See accompanying notes to financial statements.

CHRISTIAN COMMUNITY SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2014

	2015	2014
Cash Flows From Operating Activities:		
Increase in net assets	$ 40,406	$ 33,630
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	7,233	8,253
Changes in:		
Prepaid expenses	780	(320)
Assets whose use is limited	(6,571)	(2,824)
Accounts payable	(1,717)	(1,883)
Accrued payroll	110	758
IDA payable	2,870	(747)
Total adjustments	2,705	3,237
Net cash provided by operating activities	43,111	36,867
Net increase in cash	43,111	36,867
Cash - beginning of year	42,808	5,941
Cash - end of year	$ 85,919	$ 42,808

See accompanying notes to financial statements.

CHRISTIAN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2014

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 undeserved 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 147 families who are self-sufficient, with 104 of those as first-time homeowners and the rest paying fair market rent.

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, 2015 and 2014.

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 2014 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, 2014, from which it was derived.

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, 2015 and 2014, 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:

	Years
Machinery and equipment	3-10
Furniture and fixtures	3-10
Building	40

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, 2015, no assets were considered to be impaired.

Advertising

Advertising is expensed as incurred.

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. We are not subject to examination by U.S. federal or state taxing authorities for years before 2012.

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

At December 31, 2015, we owed 95% of our payables to two vendors. At December 31, 2014, we owed 84% of our payables to one vendor.

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, 2015 and 2014, we received 40% and 34%, 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, 2015 and 2014, is as follows:

	2015	2014
Building	$ 200,000	$ 200,000
Automobiles	17,833	17,833
Office equipment	26,917	35,682
	244,780	253,515
Less: accumulated depreciation	(142,461)	(143,993)
	$ 102,289	$ 109,522

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, 2015 and 2014, was $69,022 and $60,965, 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, 2015, short-term IDA payable and long-term IDA payable had a balance of $20,000 and $45,414, respectively. At December 31, 2014, short-term IDA payable and long-term IDA payable had a balance of $20,000 and $42,544, respectively.

NOTE 4 - Board Designated Unrestricted Net Assets

A summary of board designated unrestricted net assets at December 31, 2015 and 2014, is as follows:

	2015	2014
Individual development accounts (IDA) funding	$ 69,022	$ 60,965

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, 2015 and 2014, is as follows:

	2015	2014
United Way grant	$ -	$ 8,800
Frist Tech grant	-	3
Washington Foundation grant	13,811	13,115
Memorial grant	9,373	581
Bank of America grant	5,916	6,379
Predator's Foundation grant	-	1,223
Scholarships	3,717	4,202
Total temporarily restricted net assets	$ 32,817	$ 34,303

NOTE 6 – Leases

We have lease agreements for office space and office equipment. The total rent expense for the year ended December 31, 2015 and 2014, was $3,420 and $4,129, respectively.

The following is a schedule of future minimum lease payments:

Year Ending December 31,	
2016	$ 2,136
2017	2,136
2018	2,136
2019	2,136
2020	1,246
Thereafter	-
	$ 9,790

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.

In 2014, we paid for healthcare insurance of one for our employees through the health insurance of Schrader Lane. All health insurance expenses related to this employee were fully funded by us. This portion of our relationship with Schrader Lane was terminated on December 31, 2014. Health insurance expense paid to Schrader Lane for the year ended December 31, 2015 and 2014, was $0 and $8,889, respectively.

NOTE 8 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2015. As of March 22, 2016, 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, 2015.

PATTERSON, HARDEE & BALLENTINE, P.C.
Certified Public Accountants

March 22, 2016

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, 2015, and have issued our report thereon dated March 22, 2016. 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 January 7, 2016. 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 2015. 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 estimates affecting the financial statements were:

> Management's estimate of the short-term Individual Development Accounts Payable is based on historical information. Management's estimate of the allocation of functional expenses is based on management's judgment. We evaluated the key factors and assumptions used to develop the short-term Individual Development Accounts Payable and functional expense allocations in determining that they are 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 explaining 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.

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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 misstatements detected as a result of audit procedures were corrected by management: grant receivable and the adjustments to correct restricted revenues and restricted expenses.

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 22, 2016.

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. Additionally, an item was brought to our attention that caused us to question the Organization's ability to continue as a going concern. When considered in the aggregate, this condition did not indicate a substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

<u>Other Matters</u>

We noted certain matters that we reported to Management and the Board of Directors of Christian Community Services, Inc. in a separate letter dated March 22, 2016.

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 Hardee & Ballentine

PATTERSON, HARDEE & BALLENTINE, P.C.
Certified Public Accountants

March 22, 2016

To the Management of
Christian Community Services, Inc.

In planning and performing our audit of the financial statements of Christian Community Services, Inc. ("the Organization"), as of and for the year ended 2015, 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:

Segregation of Duties

We noted that there was a lack of segregation of duties within the cash receipts area. The objective of internal control over cash receipts is to obtain control over amounts received at the time of receipt. We feel that separating these closely related functions in the cash receipts system of the Organization will result in much greater internal control in this particular area. To achieve this control, certain duties involving receipts should be handled by more than one member of the Organization's personnel. The following procedures should be enacted to ensure efficient internal control:

- One employee, preferable the receptionist, should open the mail, make a control list of all receipts, and restrictively endorse all items received as "for deposit only". This would prevent any unauthorized endorsement should the checks be misplaced or lost before being deposited.
- The receipts should then go to another employee for further processing and deposit to the bank on a timely basis.
- Then, someone who does not otherwise handle receipts should compare the deposit slips to the list of receipts to ensure that all funds reflected on the receipts were deposited.

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Restricted Revenue Recognition

Currently, restricted revenue is not being recorded until fund are spend for their restricted purpose. Restricted contributions are being recorded to temporarily restricted net assets when they are received, using the following journal entry:

> Debit: Cash- restricted
> Credit: Increase in restricted net assets (a balance sheet account)

Then, once the funds are spent for their restricted purpose the following journal entry is recorded:

> Debit: Decreases in restricted net assets (a balance sheet account)
> Credit: Restricted revenue account
>
> Debit: Cash – unrestricted
> Credit: Cash – restricted
>
> Debit: Appropriate expense
> Credit: Cash – unrestricted

Accounting standards general accepted in the U.S. require that non-profit entities recognize revenue when funds are received or pledged. We suggest that revenue be recognized when received using the following journal entry when restricted contributions are received:

> Debit: Cash – appropriate bank account
> Credit: Appropriate revenue account
> To record restriction when cash received:
>
> Debit: Cash – restricted
> Credit: Contra cash account (create account)
> Debit: Unrestricted net assets
> Credit: Temporarily restricted net assets

Lastly, the following entry should be made to release the restriction when the funds are expended for their restricted purpose:

> Debit: Appropriate expense
> Credit: Cash – appropriate bank account
>
> Debit: Contra cash account
> Credit: Restricted cash
> Debit: Temporarily restricted net assets
> Credit: Unrestricted net assets

These entries will insure that the restricted net asset and restricted cash balance will be current at any point in time. Further, we recommend that classes be created in QuickBooks for all restricted programs, and corresponding revenue and expenses be coded to these classes. This will allow you to keep track of the remaining amount of grant proceeds that remain restricted for all restricted grants.

This communication is intended solely for the information and use of management, Board of Directors of Christian Community Services, Inc., 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

March 22, 2016

To the Management of
Christian Community Services, Inc.

In planning and performing our audit of your financial statements for the year ended December 31, 2015, we became aware of several matters that are opportunities for strengthening operating effectiveness for the Organization.

This letter does not affect our report dated March 22, 2016, on the financial statements of Christian Community Services, Inc. (CCSI). 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.

Any of our suggestions outlined below may be converted into a paperless filing system. Also, please let us now if any of our suggestions are creating office inefficiencies. We will attempt to modify our suggestions to help elevate any difficulties.

Functional Allocation of Expenses

Our audit procedures disclosed that the Organization is recording some of its expenses on a functional basis in the chart of accounts and some of its expenses in a natural classification in the chart of accounts. The Organization is required to present its expenses by natural and functional classifications on the audited financial statements. QuickBooks is capable of recording expenses by natural and functional classifications through the "class" function. We recommend using the chart of accounts only for natural classifications and the class system only for functional classifications.

Direct costs should be split right away into their appropriate class. For normal operation, this requires Executive Director to code each invoice to both an expense and a class. Some examples of classes include: Grants, Programs, Management/General and Fundraising. Subclasses are further recommended to track revenue and expenses for each program or grant.

For expenses that benefit more than one program or functional classification, we recommend using the allocable-direct cost pools method outlined in Policy 03 – Cost Allocation. These expenses (i.e. payroll expense) should be pooled into an "unallocated" class during the normal course of business and then allocated out between program, management/general and fundraising either monthly, quarterly or annually. The method of allocation should be reasonable and consistent.

Further, we received mixed results regarding the Board of Directors understanding of its oversight responsibilities. The Board of Directors is responsible for approving the allocation of functional expense and should review the allocation on a regular basis.

Internal Accounting Records

During prior and current year fieldwork, we noticed the memo section in QuickBooks is often not completed. The memos in QuickBooks adds details to your internal accounting records that may help the Organization's staff recall information about the transaction more easily. We recommend filling in the memo section of QuickBooks whenever possible.

IDA Bank Statements

During the audit, we noted that a bank statement was missing from an IDA file. We recommend that the Organization print each individual bank statement at the end of every month from Suntrust or US Bank and keep them in the IDA file for a quick reference.

In-kind Contributions

As noted in the prior year, the Organization does not currently have a formal policy for recording in-kind contributions of goods and contributed services. To define this area better and establish consistency of recording this revenue, we suggest the Organization formalize a written policy for recognizing in-kind contributions of goods and services. The policy should specify a minimum dollar amount to be recorded and the method used to determine the fair market value of donated services or assets. This policy will be most beneficial in that it will allow easier and more consistent accounting treatment for contributed goods and services.

Maintain Current and Complete Personnel Files

We recommend that a complete personnel file is prepared for each employee. The following items should be included in each employee's personnel file and be maintained by an individual who does not have payroll preparation responsibilities:

- Signed and dated application of employment
- Form I-9 Employment Eligibility Verification
- Date of hire
- Approved pay rate (updated as changes occur)
- Signed W-4 form
- Insurance and other benefits election forms
- Beneficiary designation form
- Employee's current address and phone number
- Next of kin's or other emergency contact's name, address, and current daytime phone number
- Employee evaluations
- Benefit election forms for terminated or retired employees

Additionally, we recommend that a checklist be included in the front of the employee file denoting everything listed above. This checklist should be signed and dated as documentation items are added. See attached checklist for an example.

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

Patterson Hardee & Ballentine

Christian Community Services, Inc.
Personnel File Checklist

Employee Name: ______________________________

Date	Initial	
		General Employment Documentation
______	______	Employee Application
______	______	Employee Emergency Contact Information
______	______	Reference Check Information
______	______	Federal W-4 Form
______	______	Completed I-9
______	______	Copy of Driver's License & Social Security Card
______	______	Rate of Pay Documentation (for each raise)
______	______	Direct Deposit Form with Voided Check (for direct deposit employees in future)
______	______	Signed Acceptance of Policy and Procedures
______	______	Documentation of which store employee works at
______	______	Employee Performance Reviews
		401(k) Documentation
______	______	Acceptance or Decline Form
______	______	Investment Allocation
______	______	Recalculations of Employee Contributions to the Plan
______	______	Support for Tax Withholdings or Benefit Payments
______	______	Loan Documentation as Signed by the Employee