

***EASTERN CATAWBA COOPERATIVE CHRISTIAN  
MINISTRY, INC.***

Financial Statements and Independent Auditors' Report  
For the Year Ended December 31, 2011

**Lowdermilk Church & Co., L.L.P.**  
*Certified Public Accountants*

---

**EASTERN CATAWBA COOPERATIVE CHRISTIAN MINISTRY, INC.**

---

**Table of Contents**

---

	<u>Page(s)</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6-10

**Lowdermilk Church & Co., L.L.P.**  
*Certified Public Accountants*

---

121 N. Sterling Street  
Morganton, North Carolina 28655  
Phone: (828) 433-1226  
Fax: (828) 433-1230

**Independent Auditors' Report**

To the Board of Directors  
Eastern Catawba Cooperative Christian Ministry, Inc.  
Newton, North Carolina

We have audited the accompanying statement of financial position of Eastern Catawba Cooperative Christian Ministry, Inc. (a nonprofit organization) as of December 31, 2011, and the related statement of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Catawba Cooperative Christian Ministry, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Lowdermilk Church & Co.*

July 11, 2012

---

**EASTERN CATAWBA COOPERATIVE CHRISTIAN MINISTRY, INC.**

---

**Statement of Financial Position  
December 31, 2011**

---

<u>Assets</u>	<u>Notes</u>	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents		\$ 383,955	\$ 134,863	\$ 518,818
Accounts receivable		258	-	258
Prepaid expenses		3,325	-	3,325
Total current assets		<u>387,538</u>	<u>134,863</u>	<u>522,401</u>
Property and equipment:				
Land and building (cost)		858,604	-	858,604
Equipment (cost)		68,265	-	68,265
Trucks and autos (cost)		2,500	-	2,500
Accumulated depreciation		<u>(181,795)</u>	<u>-</u>	<u>(181,795)</u>
Equipment (net)		<u>747,574</u>	<u>-</u>	<u>747,574</u>
Total assets		<u>\$ 1,135,112</u>	<u>\$ 134,863</u>	<u>\$ 1,269,975</u>
 <b><u>Liabilities and Net Assets</u></b>				
Current liabilities:				
Accounts payable		\$ 3,314	\$ -	\$ 3,314
Accrued expenses		6,073	-	6,073
Total current liabilities		<u>9,387</u>	<u>-</u>	<u>9,387</u>
Net assets:				
Unrestricted		1,125,725	-	1,125,725
Permanently restricted		<u>-</u>	<u>134,863</u>	<u>134,863</u>
Total net assets		<u>1,125,725</u>	<u>134,863</u>	<u>1,260,588</u>
Total liabilities and net assets		<u>\$ 1,135,112</u>	<u>\$ 134,863</u>	<u>\$ 1,269,975</u>

*See accompanying notes to financial statements.*

**EASTERN CATAWBA COOPERATIVE CHRISTIAN MINISTRY, INC.**

**Statement of Activities  
For the Year Ended December 31, 2011**

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Revenue:</b>			
Churches	\$ 135,890	\$ -	\$ 135,890
Individuals	33,178	-	33,178
Corporate	18,152	-	18,152
Clothing sales	82,213	-	82,213
Backpack	55,196	-	55,196
United Way grants	42,250	-	42,250
Duke power assistance	5,070	-	5,070
Duke-Special BPM grant	15,919	-	15,919
FEMA funds	30,402	-	30,402
Memorials	14,247	-	14,247
George foundation	8,841	-	8,841
Lane foundation grant	10,000	-	10,000
Unifour foundation grant	10,000	-	10,000
Carlisle grant	6,500	-	6,500
Endowment income	-	575	575
Feinstein funds	9,539	-	9,539
Golf tournament	37,788	-	37,788
Crisis funds	1,966	-	1,966
Crop-food	3,380	-	3,380
Food-individuals/churches	1,849	-	1,849
DSS admin fee	12,790	-	12,790
Other sources	40,486	-	40,486
Miscellaneous	5,502	-	5,502
Fundraisers	1,000	-	1,000
Total support	<u>582,159</u>	<u>575</u>	<u>582,734</u>
<b>Other Revenues (Expenses):</b>			
Miscellaneous	1,089	-	1,089
Interest	2,654	2,545	5,199
Total revenue	<u>3,743</u>	<u>2,545</u>	<u>6,288</u>
Total support and revenue	<u>585,902</u>	<u>3,120</u>	<u>589,022</u>
<b>Expenses:</b>			
Program services	560,623	-	560,623
Supporting services	46,112	-	46,112
Fundraising	12,710	-	12,710
Total expenses	<u>619,444</u>	<u>-</u>	<u>619,444</u>
Changes in net assets	(33,542)	3,120	(30,422)
Net assets, beginning of year	1,148,262	115,837	1,264,099
Transfers between funds	(15,906)	15,906	-
Transfer from Head Start program	26,910	-	26,910
Net assets, end of year	<u>\$ 1,125,725</u>	<u>\$ 134,863</u>	<u>\$ 1,260,588</u>

*See accompanying notes to financial statements.*

---

**EASTERN CATAWBA COOPERATIVE CHRISTIAN MINISTRY, INC.**

---

**Statement of Cash Flows  
For the Year Ended December 31, 2011**

---

<b>Cash Flows From Operating Activities:</b>	<b><u>Unrestricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Changes in net assets	\$ (33,542)	\$ 3,120	\$ (30,422)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:			
Depreciation	27,661	-	27,661
Transfers between funds	(15,906)	15,906	-
Transfer from Head Start Program	26,910	-	26,910
(Increase) decrease in operating assets:			
Accounts receivable	(258)	-	(258)
Prepaid expenses	(3,325)	-	(3,325)
Increase (decrease) in operating liabilities:			
Accounts payable and accrued expenses	3,414	-	3,414
Total adjustments	38,496	15,906	54,402
Net cash provided (used) by operating activities	4,954	19,026	23,980
<b>Cash Flows From Investing Activities:</b>			
Purchase of fixed assets	(5,228)	-	(5,228)
Net cash provided (used) by investing activities	(5,228)	-	(5,228)
Increase (decrease) in cash and cash equivalents	(274)	19,026	18,752
Beginning cash and cash equivalents	384,229	115,837	500,066
Ending cash and cash equivalents	<u>\$ 383,955</u>	<u>\$ 134,863</u>	<u>\$ 518,818</u>

*See accompanying notes to financial statements.*

---

**EASTERN CATAWBA COOPERATIVE CHRISTIAN MINISTRY, INC.**

**Statement of Functional Expenses  
For the Year Ended December 31, 2011**

---

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries	\$ 203,759	\$ 16,759	\$ -	\$ 220,518
Payroll taxes	14,006	1,152	-	15,158
Professional and other services	1,718	141	-	1,859
Office supplies	5,420	446	-	5,866
Postage	1,415	116	-	1,532
Supplies	2,993	246	-	3,240
Utilities	12,227	1,006	-	13,233
Repairs and maintenance	12,143	999	-	13,141
Telephone	2,775	228	-	3,003
Dues and subscriptions	1,299	107	-	1,406
Training and travel	2,602	214	-	2,817
Contract labor	57,692	4,745	-	62,438
Fuel	6,543	538	-	7,081
Food purchases	17,235	1,418	-	18,653
Sales tax	3,121	257	-	3,378
Miscellaneous	2,479	204	-	2,683
Property taxes	1,228	101	-	1,329
Insurance	14,075	1,158	-	15,232
Advertising	1,211	100	-	1,311
Crisis	13,075	1,075	-	14,151
Duke energy	20,579	1,693	-	22,272
United Way	38,673	3,181	-	41,853
Fema	23,730	1,952	-	25,682
Foundations and memorials	6,759	556	-	7,315
Fundraisers	-	-	12,710	12,710
Backpack program	53,985	4,440	-	58,425
Christmas bureau	13,884	1,142	-	15,026
Pharmacy	437	36	-	472
Total expenses before depreciation	<u>535,064</u>	<u>44,010</u>	<u>12,710</u>	<u>591,783</u>
Depreciation	25,559	2,102	-	27,661
Total expenses	<u>\$ 560,623</u>	<u>\$ 46,112</u>	<u>\$ 12,710</u>	<u>\$ 619,444</u>

*See accompanying notes to financial statements.*

---

**EASTERN CATAWBA COOPERATIVE CHRISTIAN MINISTRY, INC.**

**Notes to Financial Statements  
For the Year Ended December 31, 2011**

---

**1. General Information and Summary of Significant Accounting Policies**

**Organization** - Eastern Catawba Cooperative Christian Ministry, Inc. is a nonprofit organization that brings together the resources of the Christian Community to serve people in need of crisis assistance, support and education to respond to God's call.

**Basis of Accounting** - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under the accrual basis, revenues are recognized in the accounting period in which they are earned regardless of when they are actually received. Expenses are recognized in the accounting period in which a liability is incurred regardless of when the expense is actually paid.

**Basis of Presentation** - The Organization reports in compliance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, Not-for-Profit Entities: Presentation of Financial Statements. Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted Net Assets**

Funds which are available for current operation.

**Permanently Restricted Net Assets**

Permanently restricted net assets represent contributions by donors who have indicated an intention that the assets are to remain in perpetuity as a permanent endowment of the Organization.

FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958-205 also requires additional disclosures about an organization's endowment funds (both donor-restricted and board designated endowment funds) and whether or not the organization is subject to UPMIFA.

The State of North Carolina enacted UPMIFA effective March 19, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Organization has adopted FASB ASC 958-205 for the year ended December 31, 2011. The Board of Directors has determined that the Organization's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

**Restricted and Unrestricted Support and Revenue** - Revenues received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reported in the Statement of Activities as net assets released from restrictions.

**Cash and Cash Equivalents** - For the purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

**Equipment** - The cost of equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method for financial reporting purposes and for income tax purposes. The Organization does not have a written capitalization policy.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

The useful lives of equipment, for purposes of computing depreciation are:

Equipment	5 years
Office Furniture	7 years
Trucks and Autos	5 years
Building	39 years

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Income Taxes** - The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3).

**Concentration of Credit Risk** - The Organization maintains its cash balances with financial institutions in North Carolina. The balances at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2011, the Organization had deposits that exceeded the federal deposit insurance limit by \$139,372.

2. **Donated Materials and Services** - Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statements for donated services, immaterial equipment or materials in as much as no objective basis is available to measure the value of such items.

3. **Summary Disclosure of Significant Contingencies**

**Federal Assisted Programs**

The Organization has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

## Uncertain Tax Positions

FASB ASC 740-10, Accounting for Uncertainty in Income Taxes, clarifies the accounting for uncertainty in income tax positions. Based on an evaluation of uncertain tax positions, management is required to measure potential tax liabilities that could have a risk of greater than a 50% likelihood of being realized upon settlement. As of December 31, 2011, management has determined that the Organization has no such risk and therefore no liabilities have been recorded for uncertain tax positions.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions material to the financial statements.

## 4. **Endowment Funds**

The Organization's endowment fund is established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

### Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Organization and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

Endowment Net Asset Composition by Type of Fund as of December 31, 2011:

	<b><u>Permanently Restricted</u></b>
Donor-restricted endowment fund	<u>\$134,863</u>
Total fund	<u>\$134,863</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2011:

	<b><u>Permanently Restricted</u></b>
Endowment net assets beginning of year	\$ 115,837
Investment return:	
Investment income	2,545
Net depreciation (realized and unrealized)	-
Total investment return	-
Contributions	575
Appropriation of endowment assets for expenditure	-
Other changes:	
Transfers from unrestricted	<u>15,906</u>
Endowment net assets, end of year	<u>\$ 134,863</u>

Description of Amounts Classified as Permanently Restricted Net Assets (Endowment Only):

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA	<u>\$134,863</u>
Total endowment funds classified as permanently restricted net assets	<u>\$134,863</u>

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a certificate of deposit and a savings account. The Foundation expects its endowment funds, over time, to provide a reasonable rate of return.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

## Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distributions each year. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The Organization's Return of Organization Exempt from Income Tax (Form 990) for 2008, 2009 and 2010 are subject to examination by the IRS, generally for three years after they are filed.

### **5. Subsequent Events**

Management has evaluated subsequent events through July 11, 2012, the date on which the financial statements were available to be issued. Effective July 1, 2011 Eastern Catawba Cooperative Christian Ministry, Inc. relinquished its grantee status with the Eastern Catawba Cooperative Christian Ministry - Head Start. After this date Eastern Catawba Cooperative Christian Ministry, Inc. has no further responsibility for the care or daily concern of the Head Start program, children or facilities. Eastern Catawba Cooperative Christian Ministry, Inc. shall own certain assets and liabilities of Eastern Catawba Cooperative Christian Ministry - Head Start.