

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH INDEPENDENT AUDITOR'S REPORT THEREON)**

**MARTIN ♦ STARNES
& ASSOCIATES, CPAs, P.A.**

"A Professional Association of Certified Public Accountants and Management Consultants"

EASTERN CATAWBA COOPERATIVE CHRISTIAN MINISTRY, INC.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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MARTIN STARNES

& ASSOCIATES, CPAs, P.A.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Eastern Catawba Cooperative Christian Ministry, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, cash flows, and functional expenses 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 the Eastern Catawba Cooperative Christian Ministry, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.

Hickory, NC

March 23, 2017

EASTERN CATAWBA COOPERATIVE CHRISTIAN MINISTRY, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Assets:				
Current assets:				
Cash and cash equivalents	\$ 139,505	\$ 160,366	\$ 4,332	\$ 304,203
Accounts receivable	385	-	-	385
Total current assets	<u>139,890</u>	<u>160,366</u>	<u>4,332</u>	<u>304,588</u>
Investments in endowment funds	<u>133,244</u>	-	<u>39,950</u>	<u>173,194</u>
Property and equipment:				
Land and buildings	829,624	-	-	829,624
Equipment	100,895	-	-	100,895
Trucks and autos	25,399	-	-	25,399
Accumulated depreciation	<u>(334,743)</u>	-	-	<u>(334,743)</u>
Property and equipment (net)	<u>621,175</u>	-	-	<u>621,175</u>
Total assets	<u>\$ 894,309</u>	<u>\$ 160,366</u>	<u>\$ 44,282</u>	<u>\$ 1,098,957</u>
Liabilities and Net Assets:				
Current Liabilities:				
Accounts payable	\$ 528	\$ -	\$ -	\$ 528
Accrued expenses	<u>7,051</u>	-	-	<u>7,051</u>
Total current liabilities	<u>7,579</u>	-	-	<u>7,579</u>
Net Assets:				
Unrestricted	886,730	-	-	886,730
Temporarily restricted	-	160,366	-	160,366
Permanently restricted	<u>-</u>	<u>-</u>	<u>44,282</u>	<u>44,282</u>
Total net assets	<u>886,730</u>	<u>160,366</u>	<u>44,282</u>	<u>1,091,378</u>
Total liabilities and net assets	<u>\$ 894,309</u>	<u>\$ 160,366</u>	<u>\$ 44,282</u>	<u>\$ 1,098,957</u>

The accompanying notes are an integral part of the financial statements.

EASTERN CATAWBA COOPERATIVE CHRISTIAN MINISTRY, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support, Revenue, and Reclassification:				
Churches	\$ 111,927	\$ -	\$ -	\$ 111,927
Individuals	72,580	-	-	72,580
Corporate	13,883	-	-	13,883
Clothing sales	89,758	-	-	89,758
United Way grants	-	42,273	-	42,273
Duke Power assistance	-	1,805	-	1,805
Duke - Special BPM Grant	-	16,998	-	16,998
FEMA funds	-	15,364	-	15,364
CACP	-	30,265	-	30,265
Memorials	12,844	-	-	12,844
Unifour Foundation Grant	-	10,000	-	10,000
Carlisle Grant	-	4,000	-	4,000
Crisis funds	-	1,850	-	1,850
Spring Hunger Challenge - Food	-	545	-	545
Crop - food	-	12,909	-	12,909
Food - individuals/churches	-	14,939	-	14,939
Beaver Foundation	-	40	-	40
Christmas Bureau	-	26,025	-	26,025
Transportation Program	-	200	-	200
Thrift Store donation	2,811	-	-	2,811
Foundations	35,065	-	-	35,065
DSS admin fee	15,644	-	-	15,644
Other sources	459	-	-	459
Fundraisers	73,210	-	-	73,210
Total support	<u>428,181</u>	<u>177,213</u>	<u>-</u>	<u>605,394</u>
Other Revenues (Expenses):				
Unrealized gain (loss) on investments	8,835	-	-	8,835
Interest and dividends	4,887	-	-	4,887
Total revenue (expense)	<u>13,722</u>	<u>-</u>	<u>-</u>	<u>13,722</u>
Net assets released from restrictions:				
Satisfaction of program transactions	<u>147,473</u>	<u>(147,473)</u>	<u>-</u>	<u>-</u>
Total support, revenue, and reclassification	<u>589,376</u>	<u>29,740</u>	<u>-</u>	<u>619,116</u>

The accompanying notes are an integral part of the financial statements.

EASTERN CATAWBA COOPERATIVE CHRISTIAN MINISTRY, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Expenses:				
Program services	590,766	-	-	590,766
General and administrative	58,444	-	-	58,444
Fundraising	12,882	-	-	12,882
Total expenses	<u>662,092</u>	<u>-</u>	<u>-</u>	<u>662,092</u>
Change in net assets	(72,716)	29,740	-	(42,976)
Net assets, beginning of year	<u>959,446</u>	<u>130,626</u>	<u>44,282</u>	<u>1,134,354</u>
Net assets, end of year	<u>\$ 886,730</u>	<u>\$ 160,366</u>	<u>\$ 44,282</u>	<u>\$ 1,091,378</u>

The accompanying notes are an integral part of the financial statements.

EASTERN CATAWBA COOPERATIVE CHRISTIAN MINISTRY, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Cash Flows from Operating Activities:

Change in net assets	\$ (42,976)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation expense	32,234
Investment income	(5,385)
Unrealized (gain) loss on investments	(8,835)
(Increase) decrease in accounts receivable	454
(Increase) decrease in prepaid expenses and other current assets	600
Increase (decrease) in accounts payable	(1,635)
Increase (decrease) in accrued expenses	425
Net cash provided (used) by operating activities	<u>(25,118)</u>

Cash Flows From Investing Activities:

Purchase of property and equipment	<u>(5,462)</u>
Net cash provided (used) by investing activities	<u>(5,462)</u>

Net increase (decrease) in cash	(30,580)
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Cash and Cash Equivalents:

Beginning of year - January 1	<u>334,783</u>
End of year - December 31	<u>\$ 304,203</u>

The accompanying notes are an integral part of the financial statements.

EASTERN CATAWBA COOPERATIVE CHRISTIAN MINISTRY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 222,071	\$ 22,500	\$ -	\$ 244,571
Payroll taxes	18,186	1,842	-	20,028
Employee benefits	81,042	8,212	-	89,254
Professional and other services	4,490	4,489	-	8,979
Office supplies	9,349	3,117	-	12,466
Postage	1,620	1,620	-	3,240
Office equipment leases	6,624	-	-	6,624
Utilities	18,369	-	-	18,369
Repairs and maintenance	39,791	-	-	39,791
Dues and subscriptions	-	3,056	-	3,056
Training	413	-	-	413
Travel	2,042	2,043	-	4,085
Hunger Prevention Program	11,797	-	-	11,797
Miscellaneous	100	200	-	300
Property taxes	-	524	-	524
Insurance	7,806	7,807	-	15,613
Volunteer	421	-	-	421
Advertising	-	68	-	68
Duke Energy	5,824	-	-	5,824
United Way	42,273	-	-	42,273
FEMA programs	12,043	-	-	12,043
Crisis Program	10,601	-	-	10,601
Fundraisers	-	-	12,882	12,882
Christmas Bureau	15,443	-	-	15,443
CACP	39,705	-	-	39,705
Hike Out Hunger	7,198	-	-	7,198
Funds Development	24	-	-	24
Thrift Store expenses	2,170	-	-	2,170
Warehouse utilities	2,096	-	-	2,096
Depreciation	29,268	2,966	-	32,234
Total expenses	<u>\$ 590,766</u>	<u>\$ 58,444</u>	<u>\$ 12,882</u>	<u>\$ 662,092</u>

The accompanying notes are an integral part of the financial statements.

EASTERN CATAWBA COOPERATIVE CHRISTIAN MINISTRY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(1) Summary of Significant Accounting Policies

Reporting Entity

The Eastern Catawba Cooperative Christian Ministry, Inc. (the "Organization") was organized in 1969 in Catawba County. The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization's mission is to bring together the resources of the Christian community to serve people in need of crisis assistance, support and education, in response to God's call.

Basis of Accounting

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America. Under those standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. The Organization uses the accrual method of accounting. Under this method, revenue is recognized when earned, and expenses are recognized when incurred.

Net Asset Classifications

Unrestricted net assets represent the Organization's resources available for operations.

Temporarily restricted net assets are primarily comprised of grants and contributions to be used for various service programs that the Organization provides. Amounts are classified as temporarily restricted due to timing restrictions as well as donor restrictions. Management determines amounts to be released from temporarily restricted net assets once time frame restriction and/or donor restriction requirements are satisfied.

Permanently restricted net assets have been stipulated by the donor to be used to establish a permanent endowment for the Organization. The principal is to be maintained inviolate and invested for the purpose of producing income which may be expendable as unrestricted net income.

Financial Accounting Standards Board ("FASB") ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a non-profit 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's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

EASTERN CATAWBA COOPERATIVE CHRISTIAN MINISTRY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Contributions

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America. Under those standards, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence of any donor restrictions.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributions of property and equipment are recorded at fair value at the date of donation. Absent donor restrictions regarding how long the asset must be used, the Organization has adopted a policy of recognizing the entire contribution as unrestricted support when the asset is purchased.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and revenue and expenses during the periods reported. Estimates are used when accounting for allowance for uncollectable accounts receivable, depreciation, and contingencies. Accordingly, actual results could differ from those estimates.

Tax-Exempt Status

The Organization is exempt from income taxes under the Internal Revenue Code as an organization described in Section 501(c)(3). Accordingly, no provision for federal or State income taxes has been made in the accompanying financial statements. The Organization is not classified as a private foundation.

EASTERN CATAWBA COOPERATIVE CHRISTIAN MINISTRY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

The Organization has implemented accounting requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As of December 31, 2016, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The federal income tax returns of the Organization for 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they are filed.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits in banks, deposits in money market accounts, and certificates of deposits with original maturities of twelve months or less.

Accounts Receivable

The Organization's accounts receivable are made up of balances due from Federal and local governmental agencies. Due to the nature of the receivables, management has determined that an allowance for doubtful accounts is not necessary.

Investments

The fair value of all available-for-sale marketable securities has been measured on a recurring basis using Level 1 inputs. There were no changes in valuation methodologies and related inputs used at December 31, 2016.

Fair Value Measurements

FASB ASC 820-10 regarding fair value measurements clarifies the definition of fair value for financial reporting and establishes a three-tier hierarchy as a framework for measuring fair value which requires an entity to give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when measuring fair value. The standard also requires additional disclosure about the use of fair value measurements. Fair value is defined as the price to sell an asset or transfer a liability between market participants as of the measurement date.

EASTERN CATAWBA COOPERATIVE CHRISTIAN MINISTRY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

The three levels of the fair value hierarchy under this standard are as follows:

- Level 1 - Inputs are unadjusted quoted prices for identical instruments in active markets.
- Level 2 - Inputs are inputs other than quoted prices included within Level 1 that are directly or indirectly observable, such as quoted prices for similar instruments in active markets, or quoted prices for identical or similar instruments in inactive markets.
- Level 3 - Inputs are unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions, such as valuations derived from techniques in which one or more significant value drivers are observable.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the fair market value on the date of the gift. The Organization capitalizes property and equipment if its value is greater than \$1,000 and its useful life is more than one year. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is computed using the straight-line method over the estimated useful life of the related assets as follows:

Equipment	5 years
Office furniture	7 years
Trucks and autos	5 years
Building	39 years

Depreciation expense for the year ended December 31, 2016 was \$32,234.

Functional Expenses

For functional expense allocations, salaries and related expenses are allocated to the various programs and supporting services based on estimated time the employees spend on each function. The remaining expenses are specifically allocated whenever practical or are allocated based on salaries or space utilization.

EASTERN CATAWBA COOPERATIVE CHRISTIAN MINISTRY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Concentration of Credit Risk

The Organization maintains demand deposits at one bank in North Carolina, which are secured by the Federal Depository Insurance Corporation. At December 31, 2016, the Organization's cash and certificates of deposits had a carrying amount of \$304,100 and a bank balance of \$312,378. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$62,378 was uninsured. Management does not consider this concentration to be a significant credit risk.

The Organization maintains petty cash of \$103.

(2) Accounts Receivable

The following is a summary of accounts receivable as of December 31, 2016:

	<u>2016</u>
Sales tax receivable	\$ 385
Total	<u>\$ 385</u>

(3) Endowment Funds

The Organization's Endowment Fund is established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Eastern Catawba Cooperative Christian Ministry, Inc. 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 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 (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. 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 various funds, (2) the purposes of the Organization and the donor-restricted endowment funds, (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, and (7) the Organization's investment policies.

EASTERN CATAWBA COOPERATIVE CHRISTIAN MINISTRY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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 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 certificates of deposit and mutual funds. The Organization seeks to build endowment assets through additional contributions and expects its endowment funds, over time, to provide a reasonable rate of return.

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 composition of endowment net assets and the changes in endowment net assets as of December 31, 2016 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment	\$ -	\$ 44,282
Board-designated endowment	<u>133,244</u>	<u>-</u>
Total	<u>\$ 133,244</u>	<u>\$ 44,282</u>

In accordance with accounting principles generally accepted in the United States of America, the Organization's investments are shown at aggregate fair value. Realized and unrealized gains and losses are reflected in the statement of activities. Investment activity for the year ended December 31, 2016 is summarized below:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>
Endowment net assets, January 1, 2016	\$ 119,024	\$ 44,282
Investment income	5,385	-
Unrealized gain (loss) on investments	<u>8,835</u>	<u>-</u>
Endowment net assets, December 31, 2016	<u>\$ 133,244</u>	<u>\$ 44,282</u>

EASTERN CATAWBA COOPERATIVE CHRISTIAN MINISTRY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(4) Fair Value Measurements

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2016 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>
Investments:		
Mutual funds	\$ 173,194	\$ 173,194
Total	<u>\$ 173,194</u>	<u>\$ 173,194</u>

(5) Federal and State-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.

(6) Subsequent Events

The Organization has evaluated subsequent events through March 23, 2017, the date which the financial statements were available to be issued.