

MICAH ECUMENICAL MINISTRIES, INC.

FINANCIAL STATEMENTS

December 31, 2018

DRAFT

C O N T E N T S

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MICAH ECUMENICAL MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

ASSETS		
	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 342,917	\$ 418,420
Contributions and grants receivable	311,658	333,394
Investments	<u> </u>	<u>908</u>
Total Current Assets	\$ <u>654,575</u>	\$ <u>752,722</u>
PROPERTY AND EQUIPMENT		
Land	\$ 481,100	\$ 481,100
Buildings	1,059,741	1,045,041
Building improvements	398,953	376,382
Furniture and equipment	<u>29,500</u>	<u>9,500</u>
	\$ 1,969,294	\$ 1,912,023
Less accumulated depreciation	<u>(257,147)</u>	<u>(215,421)</u>
Total Property and Equipment	\$ <u>1,712,147</u>	\$ <u>1,696,602</u>
Total Assets	\$ <u>2,366,722</u>	\$ <u>2,449,324</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 4,637	\$ 7,625
Accrued payroll	32,310	28,252
Payroll liabilities	3,365	365
Accrued vacation payable	<u>17,108</u>	<u>11,575</u>
Total Current Liabilities	\$ <u>57,420</u>	\$ <u>47,817</u>
NET ASSETS		
Without donor restrictions	\$ 1,979,506	\$ 1,958,654
With donor restrictions	<u>329,796</u>	<u>442,853</u>
Total Net Assets	\$ <u>2,309,302</u>	\$ <u>2,401,507</u>
Total Liabilities and Net Assets	\$ <u>2,366,722</u>	\$ <u>2,449,324</u>

See Notes to Financial Statements.

MICAH ECUMENICAL MINISTRIES, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2018 and 2017

	2018			2017		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE						
SUPPORT						
Contributions	\$ 341,711	\$ 54,779	\$ 396,490	\$ 285,652	\$ 303,322	\$ 588,974
Government grants and reimbursements		631,017	631,017		638,673	638,673
Public and private grants	51,101	346,736	397,837	32,816	359,278	392,094
Fundraising	<u>52,029</u>		<u>52,029</u>	<u>24,492</u>		<u>24,492</u>
Total Support	\$ <u>444,841</u>	\$ <u>1,032,532</u>	\$ <u>1,477,373</u>	\$ <u>342,960</u>	\$ <u>1,301,273</u>	\$ <u>1,644,233</u>
REVENUE, GAINS AND LOSSES						
Rent revenue	\$ 44,546		\$ 44,546	\$ 49,128		\$ 49,128
Interest earned	<u>120</u>		<u>120</u>	<u>889</u>		<u>889</u>
Total Revenue, Gains and Losses	\$ <u>44,666</u>	\$ <u>-</u>	\$ <u>44,666</u>	\$ <u>50,017</u>	\$ <u>-</u>	\$ <u>50,017</u>
Net assets released from donor restrictions	\$ <u>1,145,589</u>	\$ <u>(1,145,589)</u>	\$ <u>-</u>	\$ <u>994,259</u>	\$ <u>(994,259)</u>	\$ <u>-</u>
Total Support and Revenue	\$ <u>1,635,096</u>	\$ <u>(113,057)</u>	\$ <u>1,522,039</u>	\$ <u>1,387,236</u>	\$ <u>307,014</u>	\$ <u>1,694,250</u>
EXPENSES						
Functional expenses:						
Program services	\$ 1,448,601		\$ 1,448,601	\$ 1,300,763		\$ 1,300,763
Management and general	102,137		102,137	88,832		88,832
Fundraising	<u>63,506</u>		<u>63,506</u>	<u>36,019</u>		<u>36,019</u>
Total Expenses	\$ <u>1,614,244</u>	\$ <u>-</u>	\$ <u>1,614,244</u>	\$ <u>1,425,614</u>	\$ <u>-</u>	\$ <u>1,425,614</u>
CHANGE IN NET ASSETS	\$ 20,852	\$ (113,057)	\$ (92,205)	\$ (38,378)	\$ 307,014	\$ 268,636
NET ASSETS, Beginning of Year, as restated 2017	<u>1,958,654</u>	<u>442,853</u>	<u>2,401,507</u>	<u>1,997,032</u>	<u>135,839</u>	<u>2,132,871</u>
NET ASSETS, End of Year	\$ <u>1,979,506</u>	\$ <u>329,796</u>	\$ <u>2,309,302</u>	\$ <u>1,958,654</u>	\$ <u>442,853</u>	\$ <u>2,401,507</u>

MICAH ECUMENICAL MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Supporting Services			
	Program Services	Management and General	Fundraising	Totals
Salaries and Related Expenses				
Salaries	\$ 572,855	\$ 59,950	\$ 33,305	\$ 666,110
Payroll taxes and insurance	47,544	4,975	2,764	55,283
Benefits	<u>56,184</u>	<u>5,880</u>	<u>3,266</u>	<u>65,330</u>
Total Salaries and Related Expenses	\$ <u>676,583</u>	\$ <u>70,805</u>	\$ <u>39,335</u>	\$ <u>786,723</u>
Other Expenses				
Direct client assistance	\$ 388,964	\$	\$	\$ 388,964
Legal and accounting		19,068		19,068
Café expenses	80,661			80,661
Other program expenses	12,476			12,476
Office expenses	16,173	4,040		20,213
Telephone	17,924	4,481		22,405
Human resource partnerships	85,251			85,251
Occupancy	62,026			62,026
Repairs and maintenance	18,402			18,402
Travel	13,594			13,594
Bank charges		1,349		1,349
Development expense			24,171	24,171
Insurance	24,204	2,394		26,598
Other expenses	10,617			10,617
Depreciation	<u>41,726</u>			<u>41,726</u>
Total Other Expenses	\$ <u>772,018</u>	\$ <u>31,332</u>	\$ <u>24,171</u>	\$ <u>827,521</u>
Total Expenses	\$ <u>1,448,601</u>	\$ <u>102,137</u>	\$ <u>63,506</u>	\$ <u>1,614,244</u>

MICAH ECUMENICAL MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

	Supporting Services			
	Program Services	Management and General	Fundraising	Totals
Salaries and Related Expenses				
Salaries	\$ 520,724	\$ 47,338	\$ 23,669	\$ 591,731
Payroll taxes and insurance	43,229	3,930	1,965	49,124
Benefits	61,267	5,570	2,785	69,622
Total Salaries and Related Expenses	\$ 625,220	\$ 56,838	\$ 28,419	\$ 710,477
Other Expenses				
Direct client assistance	\$ 392,334	\$	\$	\$ 392,334
Legal and accounting		17,015		17,015
Café expenses	14,044			14,044
Other program expenses	19,498			19,498
Office expenses	15,894	3,975		19,869
Telephone	16,223	4,717		20,940
Human resource partnerships	78,915			78,915
Occupancy	53,935			53,935
Repairs and maintenance	11,836			11,836
Travel	11,438			11,438
Bank charges		551		551
Development expense			7,600	7,600
Insurance	18,200	5,736		23,936
Other expenses	9,852			9,852
Depreciation	33,374			33,374
Total Other Expenses	\$ 675,543	\$ 31,994	\$ 7,600	\$ 715,137
Total Expenses	\$ 1,300,763	\$ 88,832	\$ 36,019	\$ 1,425,614

See Notes to Financial Statements.

MICAH ECUMENICAL MINISTRIES, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (92,205)	\$ 268,636
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	41,726	33,374
Non-cash donations	(26,520)	(16,013)
Changes in operating assets and liabilities:		
(Increase) decrease in contributions and grants receivable	21,736	(31,702)
Increase (decrease) in accounts payable	(2,988)	6,991
Increase (decrease) in accrued payroll	4,058	3,534
Increase (decrease) in payroll liabilities	3,000	113
Increase (decrease) in vacation payable	<u>5,533</u>	<u>2,079</u>
Net Cash Provided By (Used In) Operating Activities	\$ <u>(45,660)</u>	\$ <u>267,012</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	\$ (37,271)	\$ (216,470)
Proceeds from sale of stock	<u>7,428</u>	<u>15,105</u>
Net Cash Provided By (Used In) Investing Activities	\$ <u>(29,843)</u>	\$ <u>(201,365)</u>
Net Cash Provided By (Used In) Financing Activities	\$ <u>-</u>	\$ <u>-</u>
Increase (Decrease) In Cash and Cash Equivalents	\$ (75,503)	\$ 65,647
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>418,420</u>	<u>352,773</u>
CASH AND CASH EQUIVALENTS, End of Year	\$ <u><u>342,917</u></u>	\$ <u><u>418,420</u></u>

See Notes to Financial Statements

MICAH ECUMENICAL MINISTRIES, INC.**NOTES TO FINANCIAL STATEMENTS****1. NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES****Nature of Entity**

Micah Ecumenical Ministries, Inc. is a non-profit corporation operated by a Board of Directors comprised of representatives from supporting local churches. Micah strives to assist people experiencing homelessness overcome barriers such as disabilities, mental health, substance abuse, and loss of supportive relationships through a holistic coordinated care approach to meeting their needs.

Significant Accounting Policies**Financial Statement Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification.

The financial statements are presented in accordance with FASB guidance, which establishes standards for the financial statements issued by nonprofit organizations. It requires that net assets and related revenue and expenses be classified in two classes of net assets – net assets without donor restrictions and net assets with donor restrictions, based upon the existence or absence of donor-imposed restrictions. Net assets without donor restrictions include the revenues and expenses of the primary operations of the Organization. Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some net assets with donor restrictions include donor-imposed stipulations for specific operating purpose or for the acquisition of property or equipment. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, whereby the donor stipulates that they be maintained permanently by the Organization to use all or part of the income earned on any related investments for general or specific purposes, in accordance with the condition of each specific donation. Promises to give that are due in future years are reported as temporarily restricted contributions and are released from the time restriction in the period they are collected.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

MICAH ECUMENICAL MINISTRIES, INC.**NOTES TO FINANCIAL STATEMENTS****Page 2****1. NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)****Property and Equipment**

Fixed assets are recorded at cost. Donated furniture and equipment are recorded at estimated fair market value at the date of acquisition. Major renewals and improvements are capitalized, while replacements, maintenance and repairs, which do not materially extend the useful lives of the assets, are expensed. Upon the sale or retirement of fixed assets, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is recorded. Estimated lives are 39 years for buildings, 7 to 39 years for building and leasehold improvements, and 5 years for equipment and vehicles. Depreciation of property and equipment is determined using the straight-line method over the estimated useful lives of the related assets. Depreciation expense was \$41,726 and \$33,374 for the years ended December 31, 2018 and 2017, respectively. Acquisitions of property and equipment in excess of \$2,500 are capitalized.

Functional Expenses

Directly identifiable expenses are charged to programs or supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies such as the amount of time an employees spends on a function or the amount of space occupied by a program or supporting service. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Organization.

Donated Materials and Services

Donations of services that meet the requirements of accounting standards are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions. Donations of food and supplies are recorded as contributions at their estimated fair value at the date of donation. Donated services and supplies that were provided to the Organization during the years ended December 31, 2018 and 2017 had a recorded value of \$5,000 and \$5,000, respectively.

Tax Status

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not considered a private foundation. It is also exempt from state income taxes.

Advertising Costs

Advertising costs are expensed as incurred.

MICAH ECUMENICAL MINISTRIES, INC.**NOTES TO FINANCIAL STATEMENTS****Page 3****1. NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)****Cash and Cash Equivalents**

For purposes of reporting the statement of cash flows, the Organization includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid investments purchased with an initial maturity of three months or less as cash and cash equivalents on the accompanying statement of financial position.

Newly Adopted Accounting Standard

In 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, *“Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities,”* which is intended to improve financial reporting for not-for-profit entities. The ASU replaces the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets — net assets with donor restrictions and net assets without donor restrictions. The ASU also requires all not-for-profits to provide expenses by natural classification and function (program, management and general, or fund raising), requires additional disclosures (both quantitative and qualitative) of information about liquidity and availability of resources, requires the use of the placed in service method to recognize the release of restrictions on contributions used to acquire or construct long-lived assets unless the donor included specific stipulations otherwise and requires additional disclosures about investment expenses. The Organization has adopted this ASU as of and for the period ended December 31, 2018, with the presentation shown retrospectively to include the 2017 comparative information. The adoption of the ASU required restatement of beginning net assets with donor restrictions to report the release from restriction when long-lived assets were placed in service rather than reporting releases over time as long-lived assets were being used.

2. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to credit risk include cash, grants receivable, and contributions receivable. At December 31, 2018 and 2017, cash consists of deposits in checking accounts and a money market account. Also, included in cash are gift certificates which are donated to the Organization. Beginning January 1, 2013, the FDIC insures a total of \$250,000 for each depositor. The Organization had deposits in excess of the FDIC insurance limits at December 31, 2018 and 2017 of \$86,704 and \$117,128, respectively.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions receivable represent local government, federal government, and United Way contributions awarded in one fiscal year that will be collected in a future year. Grants receivable represent monies that have been spent towards a cost reimbursement grant program and have been billed to the granting agency. The receivable balances at December 31, 2018 and 2017 were as follows:

MICAH ECUMENICAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

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3. CONTRIBUTIONS AND GRANTS RECEIVABLE (Continue)

	<u>2018</u>	<u>2017</u>
Mary Washington Hospital	\$ 130,000	\$ 130,000
Spotsylvania County	11,000	10,000
Rappahannock United Way	51,496	58,996
Other	<u>14,307</u>	<u>19,129</u>
Total Contributions Receivable	\$ <u>206,803</u>	\$ <u>218,125</u>
Commonwealth of Virginia	\$ 82,529	\$ 87,258
Rappahannock Community Services Board	4,412	2,602
HUD	<u>17,914</u>	<u>25,409</u>
Total Grants Receivable	\$ <u>104,855</u>	\$ <u>115,269</u>
Total Contributions and Grants Receivable	\$ <u><u>311,658</u></u>	\$ <u><u>333,394</u></u>

4. RETIREMENT PLAN

Micah participates in the Cooperative Baptist Fellowship, Church Benefits Board, 403(b) plan. The plan is only offered to salaried employees. Contributions may be made by both Micah and the individual. Contributions by Micah are determined on a contractual basis. Typically, ten percent of the employee's salary is contributed monthly. Retirement expense for the years December 31, 2018 and 2017 was \$55,457 and \$48,161, respectively, and is included in benefits in the statement of functional expenses.

5. LEASING ACTIVITIES

Micah "leases" two properties as of December 31, 2018. A 4,200-square-foot space (1013 Princess Anne St.) is rented from Fredericksburg Baptist Church for \$1 per year to be used as the Micah Hospitality Center. A 2,400-square-foot space (750 Kings Highway) is rented at the cost of utilities for the Cold Weather Shelter.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets are subject to time restrictions when contributions are receivable in future periods for use in future periods and are subject to purpose restrictions when funds have been collected with a donor stipulation. Net assets with donor restrictions as of December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Purpose Restrictions:		
Supportive services	\$	\$ 19,172
Partlow House	106,200	106,200
Community Café	<u>21,100</u>	<u>99,356</u>
Total	\$ 127,300	\$ 224,728
Time Restrictions	<u>202,496</u>	<u>218,125</u>
Total	\$ <u><u>329,796</u></u>	\$ <u><u>442,853</u></u>

MICAH ECUMENICAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

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7. LOCAL GOVERNMENT REVENUE

Local funding for operations is provided by the City of Fredericksburg and the counties of Stafford and Spotsylvania. The Organization submits budget requests each year. The annual allocations are subject to revision by the localities.

8. GRANTS

Approximately 41 percent and 38 percent of the Organization's combined revenues were provided by state and federal grants during 2018 and 2017, respectively.

Approved grants require the Organization to spend money on specific programs and services prior to the Organization billing for reimbursement. Grants approved for the next fiscal year totaled approximately \$518,217 and \$383,785 as of December 31, 2018 and 2017, respectively.

9. UNCERTAINTY IN INCOME TAX POSITIONS

The Organization adopted the provisions of accounting standards regarding uncertainty in income tax positions; however, management does not believe it is exposed to any such positions as they are defined in the accounting standards. The Organization files IRS Form 990, *Return of Organization Exempt From Income* annually.

10. COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacation and other time off (paid time off). At December 31, 2018 and 2017 the liability for paid time off has been recorded in the amount of \$17,108 and \$11,575 and were considered current liabilities of the Organization.

11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets available within one year:	
Cash and cash equivalents	\$ 342,917
Contributions and grants receivable	<u>311,658</u>
Total	\$ 654,575
Less those unavailable for general expenditure within one year:	
Net assets with restrictions	<u>329,796</u>
Financial assets available within one year for general expenditures	<u>\$ 324,779</u>

MICAH ECUMENICAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

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12. RESTATEMENT OF NET ASSETS

As mentioned in Note 1, the adoption of the FASB's ASU 2016-14 required restatement of beginning net assets with donor restrictions to report the release from restriction when long-lived assets were placed in service rather than the Organization's previous method of reporting releases over time as long-lived assets were being used.

	<u>Without Donor Unrestrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
January 1, 2017 as previously reported	\$ 1,113,666	\$ 1,019,205	\$ 2,132,871
Change in method of releasing restrictions under ASU 2016-14	<u>883,366</u>	<u>(883,366)</u>	<u> </u>
January 1, 2017 as restated	<u>\$ 1,997,032</u>	<u>\$ 135,839</u>	<u>\$ 2,132,871</u>

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 11, 2019, the date which the financial statements were available for issue.

14. NEW ACCOUNTING GUIDANCE

In June 2018, the FASB issued ASU no. 2018-08, 'Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Reserved and Contributions Made', which presents a new methodology for determining whether a grant or contribution received or made by a not-for-profit entity should be accounted for as an exchange transaction or as a contribution. This new standard is effective for fiscal years beginning after December 15, 2018, for entities receiving contributions and fiscal years beginning after December 15, 2019, for entities providing contributions, with early adoption permitted. The Organization is currently evaluating the reporting and economic implications of the new standard.