

MICAH ECUMENICAL MINISTRIES, INC.

FINANCIAL STATEMENTS

December 31, 2019

C O N T E N T S

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8

Robert T. Bishop, CPA
Elaine F. Farmer, CPA

Harry B. F. Franklin, Jr., CPA
Harry D. Dickinson, Ph.D., CPA



Members
American Institute of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Micah Ecumenical Ministries, Inc.
Fredericksburg, Virginia

We have audited the accompanying financial statements of Micah Ecumenical Ministries, Inc., (a non-profit organization) which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk 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 Micah Ecumenical Ministries, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bishop, Farmer & Co., LLP
Certified Public Accountants

Fredericksburg, Virginia
October 30, 2020

MICAH ECUMENICAL MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 280,985	\$ 342,917
Contributions and grants receivable	<u>399,711</u>	<u>311,658</u>
Total Current Assets	\$ <u>680,696</u>	\$ <u>654,575</u>
PROPERTY AND EQUIPMENT		
Land	\$ 481,100	\$ 481,100
Buildings	1,059,741	1,059,741
Building improvements	398,953	398,953
Furniture and equipment	<u>26,500</u>	<u>29,500</u>
	\$ 1,966,294	\$ 1,969,294
Less accumulated depreciation	<u>(295,740)</u>	<u>(257,147)</u>
Total Property and Equipment	\$ <u>1,670,554</u>	\$ <u>1,712,147</u>
Total Assets	\$ <u>2,351,250</u>	\$ <u>2,366,722</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 25,106	\$ 4,637
Accrued payroll	38,495	32,310
Payroll liabilities	3,624	3,365
Accrued vacation payable	<u>13,005</u>	<u>17,108</u>
Total Current Liabilities	\$ <u>80,230</u>	\$ <u>57,420</u>
NET ASSETS		
Without donor restrictions	\$ 1,954,040	\$ 1,979,506
With donor restrictions	<u>316,980</u>	<u>329,796</u>
Total Net Assets	\$ <u>2,271,020</u>	\$ <u>2,309,302</u>
Total Liabilities and Net Assets	\$ <u>2,351,250</u>	\$ <u>2,366,722</u>

See Notes to Financial Statements.

MICAH ECUMENICAL MINISTRIES, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2019 and 2018

	2019				2018			
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
SUPPORT AND REVENUE								
SUPPORT								
Contributions	\$ 322,150	\$ 12,831	\$ 334,981	\$ 341,711	\$ 54,779	\$ 396,490		
Government grants and reimbursements		697,455	697,455		642,753	642,753		
Public and private grants	35,890	428,547	464,437	51,101	335,000	386,101		
Fundraising	<u>40,946</u>		<u>40,946</u>	<u>52,029</u>		<u>52,029</u>		
Total Support	\$ 398,986	\$ 1,138,833	\$ 1,537,819	\$ 444,841	\$ 1,032,532	\$ 1,477,373		
REVENUE, GAINS AND LOSSES								
Rent revenue	\$ 46,543	\$	\$ 46,543	\$ 44,546	\$	\$ 44,546		
Interest earned	120		120	120		120		
Gain on sale of equipment	700		700					
Total Revenue, Gains and Losses	\$ <u>47,363</u>	\$ -	\$ <u>47,363</u>	\$ <u>44,666</u>	\$ -	\$ <u>44,666</u>		
Net assets released from donor restrictions	\$ 1,151,649	\$ (1,151,649)	\$	\$ 1,145,589	\$ (1,145,589)	\$		
Total Support and Revenue	\$ 1,597,998	\$ (12,816)	\$ 1,585,182	\$ 1,635,096	\$ (113,057)	\$ 1,522,039		
EXPENSES								
Functional expenses:								
Program services	\$ 1,449,544	\$	\$ 1,449,544	\$ 1,448,601	\$	\$ 1,448,601		
Management and general Fundraising	<u>127,701</u>		<u>127,701</u>	<u>102,137</u>		<u>102,137</u>		
	<u>46,219</u>		<u>46,219</u>	<u>63,506</u>		<u>63,506</u>		
Total Expenses	\$ 1,623,464	\$ -	\$ 1,623,464	\$ 1,614,244	\$ -	\$ 1,614,244		
Change In Net Assets	\$ (25,466)	\$ (12,816)	\$ (38,282)	\$ 20,852	\$ (113,057)	\$ (92,205)		
NET ASSETS, Beginning 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>		
NET ASSETS, End of Year	\$ <u>1,954,040</u>	\$ <u>316,980</u>	\$ <u>2,271,020</u>	\$ <u>1,979,506</u>	\$ <u>329,796</u>	\$ <u>2,309,302</u>		

See Notes to Financial Statements.

MICAH ECUMENICAL MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

Program Services

	<u>Housing and Shelter</u>	<u>Supportive Services</u>	<u>Other</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries and Related Expenses						
Salaries	\$ 462,536	\$ 56,913	\$ 88,662	\$ 63,639	\$ 35,355	\$ 707,105
Payroll taxes and insurance	39,466	4,380	7,961	5,422	3,012	60,241
Benefits	<u>27,002</u>	<u>4,485</u>	<u>15,323</u>	<u>4,899</u>	<u>2,721</u>	<u>54,430</u>
Total Salaries and Related Expenses	<u>\$ 529,004</u>	<u>\$ 65,778</u>	<u>\$ 111,946</u>	<u>\$ 73,960</u>	<u>\$ 41,088</u>	<u>\$ 821,776</u>
Other Expenses						
Direct client assistance	\$ 382,869	\$ 21,654	\$ 30,562	\$ 9,515	\$	\$ 435,085
Legal and accounting	8,614		33,756			18,129
Café expenses	17,726		11,196			33,756
Other program expenses	13,384	1,243	6,801	9,612		28,922
Office expenses	14,914	697	3,032	1,951	1,084	31,040
Telephone		60,258				60,258
Human resource partnerships	32,130		9,865			41,995
Occupancy	31,631		2,929			34,560
Repairs and maintenance	9,177	854	1,514	404		11,545
Travel						404
Bank charges	869	175	5,424		4,047	10,515
Development expense	1,750			25,934		27,684
Insurance				6,325		6,325
Other expenses						39,792
Depreciation	<u>31,303</u>		<u>8,489</u>			<u>39,792</u>
Total Other Expenses	<u>\$ 544,367</u>	<u>\$ 84,881</u>	<u>\$ 113,568</u>	<u>\$ 53,741</u>	<u>\$ 5,131</u>	<u>\$ 801,688</u>
Total Expenses	<u>\$ 1,073,371</u>	<u>\$ 150,659</u>	<u>\$ 225,514</u>	<u>\$ 127,701</u>	<u>\$ 46,219</u>	<u>\$ 1,623,464</u>

MICAH ECUMENICAL MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	Program Services					
	Housing and Shelter	Supportive Services	Other	Management and General	Fundraising	Totals
Salaries and Related Expenses						
Salaries	\$ 426,994	\$ 36,715	\$ 109,146	\$ 59,950	\$ 33,305	\$ 666,110
Payroll taxes and insurance	36,505	3,228	7,811	4,975	2,764	55,283
Benefits	<u>37,687</u>	<u>3,333</u>	<u>15,164</u>	<u>5,880</u>	<u>3,266</u>	<u>65,330</u>
Total Salaries and Related Expenses	<u>\$ 501,186</u>	<u>\$ 43,276</u>	<u>\$ 132,121</u>	<u>\$ 70,805</u>	<u>\$ 39,335</u>	<u>\$ 786,723</u>
Other Expenses						
Direct client assistance	\$ 342,522	\$ 19,333	\$ 27,109	\$ 19,068	\$	\$ 388,964
Legal and accounting			80,661			19,068
Café expenses	11,380		1,096			80,661
Other program expenses	11,424	907	3,842	4,040		12,476
Office expenses	12,361	634	4,929	4,481		20,213
Telephone	1,933	74,568	8,750			22,405
Human resource partnerships	62,026					85,251
Occupancy	13,744		4,658			62,026
Repairs and maintenance	10,924	395	2,275	1,349		18,402
Travel					24,171	13,594
Bank charges						1,349
Development expense		618	20,251	2,394		24,171
Insurance	3,335					26,598
Other expenses	10,617					10,617
Depreciation	<u>35,837</u>		<u>5,889</u>			<u>41,726</u>
Total Other Expenses	<u>\$ 516,103</u>	<u>\$ 96,455</u>	<u>\$ 159,460</u>	<u>\$ 31,332</u>	<u>\$ 24,171</u>	<u>\$ 827,521</u>
Total Expenses	<u>\$ 1,013,954</u>	<u>\$ 139,113</u>	<u>\$ 270,768</u>	<u>\$ 102,137</u>	<u>\$ 63,506</u>	<u>\$ 1,614,244</u>

See Notes to Financial Statements.

MICAH ECUMENICAL MINISTRIES, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (38,282)	\$ (92,205)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Gain on sale of equipment	(700)	
Depreciation and amortization	39,793	41,726
Non-cash donations		(26,520)
Changes in operating assets and liabilities:		
(Increase) decrease in contributions and grants receivable	(88,053)	21,736
Increase (decrease) in accounts payable	20,469	(2,988)
Increase (decrease) in accrued payroll	6,185	4,058
Increase (decrease) in payroll liabilities	259	3,000
Increase (decrease) in vacation payable	<u>(4,103)</u>	<u>5,533</u>
Net Cash Provided By (Used In) Operating Activities	\$ <u>(64,432)</u>	\$ <u>(45,660)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	\$	\$ (37,271)
Proceeds from sale of stock		7,428
Proceeds from sale of equipment	<u>2,500</u>	<u> </u>
Net Cash Provided By (Used In) Investing Activities	\$ <u>2,500</u>	\$ <u>(29,843)</u>
Increase (Decrease) In Cash and Cash Equivalents	\$ (61,932)	\$ (75,503)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>342,917</u>	<u>418,420</u>
CASH AND CASH EQUIVALENTS, End of Year	\$ <u><u>280,985</u></u>	\$ <u><u>342,917</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.

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.

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 \$39,793 and \$41,726 for the years ended December 31, 2019 and 2018, 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 specialized 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. Donated services that were provided to the Organization during the years ended December 31, 2019 and 2018 had a recorded value of \$2,500 and \$5,000, respectively.

Advertising Costs

Advertising costs are expensed as incurred.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

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. The adoption of the ASU in 2018 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, 2019 and 2018, 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, 2019 and 2018 of \$30,603 and \$86,704, 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, 2019 and 2018 were as follows:

MICAH ECUMENICAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Page 4

3. CONTRIBUTIONS AND GRANTS RECEIVABLE (Continue)

	<u>2019</u>	<u>2018</u>
Mary Washington Hospital	\$ 130,000	\$ 130,000
Spotsylvania County	11,000	11,000
Rappahannock United Way	56,180	51,496
Other	<u>15,177</u>	<u>14,307</u>
Total Contributions Receivable	\$ <u>212,357</u>	\$ <u>206,803</u>
Commonwealth of Virginia	\$ 113,706	\$ 82,529
Rappahannock Community Services Board	9,747	4,412
HUD	52,461	17,914
George Washington Regional Commission	<u>11,440</u>	<u> </u>
Total Grants Receivable	\$ <u>187,354</u>	\$ <u>104,855</u>
Total Contributions and Grants Receivable	\$ <u>399,711</u>	\$ <u>311,658</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, 2019 and 2018 was \$54,430 and \$55,457, respectively, and is included in benefits in the statement of functional expenses.

5. LEASING ACTIVITIES

Micah "leases" two properties as of December 31, 2019. 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, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Purpose Restrictions:		
Supportive services	\$ 28,120	\$
Partlow House	106,200	106,200
Community Café	<u> </u>	<u>21,100</u>
Total	\$ 134,320	\$ 127,300
Time Restrictions	<u>182,660</u>	<u>202,496</u>
Total	\$ <u>316,980</u>	\$ <u>329,796</u>

MICAH ECUMENICAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

Page 5

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 of the Organization's combined revenues were provided by state and federal grants during 2019 and 2018, 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 \$562,207 and \$518,217 as of December 31, 2019 and 2018, 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, 2019 and 2018, the liability for paid time off has been recorded in the amount of \$13,006 and \$17,108 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	\$ 280,985
Contributions and grants receivable	<u>399,711</u>
Total	\$ 680,696
Less those unavailable for general expenditure within one year:	
Net assets with restrictions	<u>(316,980)</u>
Financial assets available within one year for general expenditures	\$ <u>363,716</u>

MICAH ECUMENICAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

Page 6

12. SUBSEQUENT EVENTS

The President of the United States declared the COVID-19 pandemic a national emergency on March 13, 2020. The duration and full effects of the COVID-19 outbreak are unknown as of the date of this report. Therefore, the Organization is not able to provide an estimate of the financial impact of this crisis.

In April, 2020 the Organization obtained a loan of \$161,300 through the Paycheck Protection Program which management expects will be forgiven under the program's guidelines.

Management has evaluated subsequent events through October 30, 2020, the date which the financial statements were available for issue.