

CARY CHRISTIAN CENTER



FINANCIAL STATEMENTS

**YEAR ENDED
SEPTEMBER 30, 2015**

**KARL L. DRAKE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**

CARY CHRISTIAN CENTER
BREAKING THE CYCLE OF POVERTY THROUGH RELATIONSHIPS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cary Christian Center, Inc.
Cary, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of Cary Christian Center, Inc. (a nonprofit organization) which are comprised of the statement of financial position as of September 30, 2015, and the related statements of activities and cash flow for the year ended, and the related notes to the financial statements.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. 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 audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 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 Cary Christian Center'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 Cary Christian Center'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 Cary Christian Center, Inc. as of September 30, 2015, and the results of its operations and its cash flow for the year then ended in accordance with United States generally accepted accounting principles.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cary Christian Center, Inc.'s basic financial statements. The Statement of Functional Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Statement of Functional Expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Functional Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, P.C.
Certified Public Accountants

November 6, 2015

CARY CHRISTIAN CENTER

BREAKING THE CYCLE OF POVERTY THROUGH RELATIONSHIPS

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2015

ASSETS

CURRENT ASSETS

Cash	\$	4,618
Investments		132,690
Accounts Receivable		7,408

TOTAL CURRENT ASSETS		<u>144,716</u>
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FIXED ASSETS

Property and Equipment		1,760,804
Less Accumulated Depreciation		<u>(1,122,978)</u>

TOTAL FIXED ASSETS		<u>637,826</u>
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TOTAL ASSETS	\$	<u><u>782,542</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	17,383
Payroll Taxes Payable		3,941
Deferred Revenue		-

TOTAL CURRENT LIABILITIES		<u>21,324</u>
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NET ASSETS

Unrestricted		(48,315)
Unrestricted - Board Designated Endowment		129,680
Unrestricted - Invested in Fixed Assets		637,826
Temporarily Restricted		42,027
Permanently Restricted		-

TOTAL NET ASSETS		<u>761,218</u>
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TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>782,542</u></u>
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See Accompanying Notes to Financial Statements



STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Support				
Public Donations	\$ 328,602	\$ 88,837	\$ -	\$ 417,439
In Kind Donations	-	185,741	-	185,741
Grant Revenue	-	69,194	-	69,194
Total Support	<u>328,602</u>	<u>343,772</u>	<u>-</u>	<u>672,374</u>
Revenue				
Compassion	975	-	-	975
Rental Income	5,995	-	-	5,995
Thrift Shops	176,013	-	-	176,013
Dental Clinic	62,069	-	-	62,069
Interest	104	-	-	104
Investment Income (Loss)	(1,859)	-	-	(1,859)
Volunteer Ministry	3,616	-	-	3,616
Village Ministry	4,431	-	-	4,431
Other Income	4,428	-	-	4,428
Total Revenue	<u>255,772</u>	<u>-</u>	<u>-</u>	<u>255,772</u>
Net Assets Released from Restrictions	<u>347,176</u>	<u>(347,176)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>931,550</u>	<u>(3,404)</u>	<u>-</u>	<u>928,146</u>
EXPENSES				
Program Services	<u>959,887</u>	<u>-</u>	<u>-</u>	<u>959,887</u>
Supporting Activities				
Management and General	167,920	-	-	167,920
Fund Raising	164,881	-	-	164,881
Total Supporting Activities	<u>332,801</u>	<u>-</u>	<u>-</u>	<u>332,801</u>
TOTAL EXPENSES	<u>1,292,688</u>	<u>-</u>	<u>-</u>	<u>1,292,688</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(361,138)</u>	<u>(3,404)</u>	<u>-</u>	<u>(364,542)</u>
NET ASSETS - BEGINNING OF YEAR	<u>1,080,329</u>	<u>45,431</u>	<u>-</u>	<u>1,125,760</u>
NET ASSETS - END OF YEAR	<u>\$ 719,191</u>	<u>\$ 42,027</u>	<u>\$ -</u>	<u>\$ 761,218</u>

See Accompanying Notes to Financial Statements

CARY CHRISTIAN CENTER
BREAKING THE CYCLE OF POVERTY THROUGH RELATIONSHIPS

STATEMENT OF CASH FLOW

YEAR ENDED SEPTEMBER 30, 2015

CASH FLOW FROM OPERATING ACTIVITIES

Increase (Decrease) in Net Assets	\$ (364,542)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation	68,210
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(7,008)
Increase (Decrease) in Accounts Payable	14,368
Increase (Decrease) in Deferred Revenue	(13,222)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(302,194)</u>

CASH FLOW FROM INVESTING ACTIVITIES

Sale of Fixed Assets	-
Purchase of Fixed Assets	(13,765)
(Increase) Decrease in Investments	134,332
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>120,567</u>

CASH FLOW FROM FINANCING ACTIVITIES

Increase in Notes Payable	-
Payments on Notes Payable	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>-</u>

NET INCREASE (DECREASE) IN CASH (181,627)

CASH - BEGINNING OF YEAR 186,245

CASH - END OF YEAR \$ 4,618

Cash spent for:

Income Taxes	\$ -
Interest	\$ -

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION

Cary Christian Center, Inc.'s (the Organization) mission is to actively proclaim and demonstrate the Gospel of Jesus Christ in order to enable individuals to reach their full potential in Christ. They believe that God has called them to work with Him to break the cycle of poverty in the lives of those they serve. Poverty is a destructive lifestyle that sets limits and boundaries on an individual that prevents that individual from reaching their full potential.

The vision of the Organization is to begin breaking the cycles of poverty, they must build serious and significant relationships that are based on biblical principles. They build relationships with individuals through the various ministries by becoming involved in their lives which ultimately leads them to making healthy choices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

ESTIMATES

The preparation of financial statements on the accrual basis of accounting 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, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenue and expenses during the reporting period. Actual results could differ from estimates.

INCOME TAXES

The Organization is exempt from Federal income taxes under Code Section 501(c)(3) of the Internal Revenue Service Code. Contributions to the Organization qualify for the charitable contribution deduction under Code Section 170(b)(1)(A). The Organization has been determined not to be a private foundation under Code Section 509.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking and savings accounts. These accounts, at times, may exceed federally insured limits. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk.

INVESTMENTS

Investments are carried at fair market value, with realized and unrealized gains and losses reported as unrestricted revenue in the statement of activities. Donated investments are recorded at fair market value on the date of donation and are thereafter carried in accordance with the above provisions.

CARY CHRISTIAN CENTER

BREAKING THE CYCLE OF POVERTY THROUGH RELATIONSHIPS

Notes to Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, or if donated, at the estimated fair value at the date of donation. Property donated with restrictions regarding its use and contributions of cash to acquire property are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from temporarily restricted net assets to unrestricted net assets at that time. Purchases on long-lived assets in excess of \$1,000 with a useful life in excess of one year are capitalized. Depreciation is recorded using the straight-line method.

CLASSES OF NET ASSETS

The net assets of the Organization have been reported in the following classes:

Unrestricted net assets consist of amounts currently available for use in the Organization's operations and those resources invested in property and equipment.

Temporarily restricted net assets consist of donor-restricted contributions for the support of projects.

Permanently restricted net assets consist of donor-restricted funds that require the principal of the gift to be invested in perpetuity.

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amount. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Program revenue and other income is recorded when earned.

CONTRIBUTED SERVICES

During the year ended September 30, 2015, the value of contributed services meeting the requirements of recognition in the financial statements was not material and has not been recorded.

ALLOCATION OF EXPENSES

The costs of providing various program services and supporting activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting activities benefited.



3. PENSION PLAN

All full-time employees of the Cary Christian Center, Inc. are eligible to participate in a tax shelter annuity program. The Cary Christian Center matches up to \$1,000 in individual employee contributions. The total contributed by Cary Christian Center, Inc. for the year ended September 30, 2015, was \$2,144.

4. INVESTMENTS

Estimated fair value of investments at September 30, 2015, consist of:

Corporate Equities	\$	3,010
	\$	3,010

Investment income (loss) including return from endowment assets, during the year ended September 30, 2015, consist of:

Interest and Dividends	\$	8,011
Net Realized and Unrealized Gain		(9,870)
Total	\$	(1,859)

5. ENDOWMENTS

Board designated endowment assets at estimated fair value at September 30, 2015, consist of:

Cash equivalents	\$	2,157
CDs		1,796
US Government Securities		4,825
Corporate Bonds		3,425
Mutual Funds		19,916
Corporate Stocks		29,084
Comingled Funds		36,254
Alternative Investment funds		27,980
Accrued Interest and other		124
Notes receivable		2,407
Real estate held for use		1,712
	\$	129,680

CARY CHRISTIAN CENTER

BREAKING THE CYCLE OF POVERTY THROUGH RELATIONSHIPS

Notes to Financial Statements

6. FAIR VALUE MEASUREMENTS

The Organization uses appropriate valuation techniques to determine fair value based on inputs available. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available.

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments:				
Corporate Equities	\$ 3,010	\$ -	\$ -	\$ 3,010
Endowments:				
Cash equivalents	2,157	-	-	2,157
CDs	1,796	-	-	1,796
US Government Securities	4,825	-	-	4,825
Corporate Bonds	3,425	-	-	3,425
Mutual Funds	19,916	-	-	19,916
Corporate Stocks	29,084	-	-	29,084
Comingled Funds	-	36,254	-	36,254
Alternative Investment funds	379	9,743	17,858	27,980
Accrued Interest and other	-	124	-	124
Notes receivable	-	2,407	-	2,407
Real estate held for use	-	1,712	-	1,712
	<u>\$ 64,592</u>	<u>\$ 50,240</u>	<u>\$ 17,858</u>	<u>\$ 132,690</u>

The valuation techniques used to measure fair value of investments are applied in the following order:

Market approach: Prices and other relevant information generated by market transactions involving direct or comparable assets or liabilities.

Cost approach: Amount that would be required to replace the service capacity of an asset (i.e., replacement cost).

Income approach: Techniques to convert future amounts to a single present amount based on market expectations (including present techniques, option-pricing models, and lattice models).

7. ACCOUNTS RECEIVABLE

Accounts receivables consist of amounts due from employees. As of September 30, 2015, the balance due from employees was \$7,408.



8. FIXED ASSETS

Fixed assets as of September 30, 2015, consists of the following:

Land	\$	41,094
Building and Improvements		1,180,805
Electronic Equipment		88,217
Dental Equipment		143,604
Delta Children's PTR Equipment		27,873
Vehicles		164,659
Other Equipment		114,552
		<u>1,760,804</u>
Less Accumulated Depreciation		<u>(1,122,978)</u>
	\$	<u>637,826</u>

9. DEFERRED REVENUE

In the year ended September 30, 2015, the Organization had activity in several projects and grants. Monies were received for these projects and grants, but not all related expenses were incurred by the end of the year. The amounts received but not yet spent at September 30, 2015, were classified as deferred revenue.

	Prior Year Deferred	Monies Received	Monies Expensed	Current Year Deferred
Transportation Grant	\$ 11,815	\$ -	\$ (11,815)	\$ -
Culinary Grant	1,407	-	(1,407)	-
Parenting Grant	-	18,131	(18,131)	-
	<u>\$ 13,222</u>	<u>\$ 18,131</u>	<u>\$ (31,353)</u>	<u>\$ -</u>

10. NET ASSET RESTRICTIONS

Temporarily restricted net assets as of September 30, 2015, consist of the following:

Donations for Projects	\$	26,551
Bible Fund		366
Iowa Trucker Fund		591
Scholarships		125
Technology		1,089
Robotics		1,407
Entrepreneur Initiative		11,898
	\$	<u>42,027</u>

CARY CHRISTIAN CENTER

BREAKING THE CYCLE OF POVERTY THROUGH RELATIONSHIPS

Notes to Financial Statements

11. PROGRAM SERVICES

Expenses for program services during the year ended September 30, 2015, consist of the following:

Dental Clinic	\$	145,013
Volunteer Ministry		90,023
Parent Child Ministry		74,860
Village Ministry		135,183
Thrift Stores		402,346
Other		16,336
	\$	863,761

Included in these expenses are thrift store contributed in-kind cost of goods sold \$185,741.

12. GOING CONCERN

There is substantial doubt about the Organization's ability to continue as a going concern within one year of the date of the issue of the financial statements. Contributions have decreased substantially over the past two years. This decrease has caused the Organization to have net losses in the years ended September 30, 2015 and 2014, of \$364,452 and \$182,975, respectively. The remaining net assets at September 30, 2015, were \$761,218. Included in net assets are fixed assets of \$637,826, Board restricted net assets of \$129,680, and temporarily restricted net assets for projects of \$42,027. These net asset restrictions resulted in negative net assets available for operations of \$(48,315).

In 2014-15, the Organization averaged \$88,248 of expenses per month. Revenue (deposits) only exceeded this amount in one month (December). Deposits averaged \$57,139 in the other eleven months. If the gap between deposits and expenses continues at the current pace, the Organization will run out of Board restricted net assets within 5 months of September 30, 2015.

The Board is aware of the significance of the financial situation and has taken steps to alleviate it. Subsequent to year end, the Board closed the dental clinic to help mitigate losses and is exploring options to rent out the clinic space to another dental practice (explained further in Note 13, Subsequent Events). The Board is also exploring partnerships with local colleges to provide classes on the Organization's campus. These classes would provide additional revenue to the Organization. Furthermore, the Board is in the process of looking for a chief executive officer. The expectation is that the hiring of this person will increase donations back to previous levels and be the decisive step in correcting the financial position of the Organization.

13. SUBSEQUENT EVENTS

Subsequent to year end, the Organization decided to shut down the dental clinic due to multiple years of losses. The Organization is exploring options to rent the dental practice area to another clinic and has no intentions of disposing of the dental equipment.

Subsequent events have been evaluated through the report date. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

CARY CHRISTIAN CENTER

BREAKING THE CYCLE OF POVERTY THROUGH RELATIONSHIPS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2015

	Program Services	Management and General	Fund Raising	Total
Building Expenses	\$ 63,017	\$ 27,007	\$ -	\$ 90,024
Salaries and Wages	368,488	63,169	94,754	526,411
Employee Benefits	33,127	8,939	10,517	52,583
Payroll Taxes	37,945	5,797	8,959	52,701
Office Expenses	18,601	11,161	7,440	37,202
Depreciation	47,747	20,463	-	68,210
Direct Program Expenses	355,350	-	-	355,350
Insurance	4,590	4,590	-	9,180
Professional Services	-	25,340	-	25,340
Promotional Expenses	-	-	27,215	27,215
Travel	31,022	1,454	15,996	48,472
Total Expenses	\$ 959,887	\$ 167,920	\$ 164,881	\$ 1,292,688