

**Christian Community Service Center, Inc.
and
Christian Community Service Center
Memorial Endowment**

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2020 and 2019

Christian Community Service Center, Inc. and Christian Community Service Center Memorial Endowment

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Consolidated Statements of Financial Position as of December 31, 2020 and 2019	2
Consolidated Statement of Activities for the year ended December 31, 2020	3
Consolidated Statement of Activities for the year ended December 31, 2019	4
Consolidated Statement of Functional Expenses for the year ended December 31, 2020	5
Consolidated Statement of Functional Expenses for the year ended December 31, 2019	6
Consolidated Statements of Cash Flows for the years ended December 31, 2020 and 2019	7
Notes to Consolidated Financial Statements for the years ended December 31, 2020 and 2019	8

Independent Auditors' Report

To the Board of Directors of
Christian Community Service Center, Inc. and
Christian Community Service Center Memorial Endowment:

We have audited the accompanying financial statements of Christian Community Service Center, Inc. (the Center) and Christian Community Service Center Memorial Endowment (the Endowment), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019 and the related consolidated statements of activities, of functional expenses, and of 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 our audits 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 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 consolidated financial position of the Center and the Endowment as of December 31, 2020 and 2019 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

April 26, 2021

**Christian Community Service Center, Inc. and
Christian Community Service Center Memorial Endowment**

Consolidated Statements of Financial Position as of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents (<i>Notes 3 and 5</i>)	\$ 3,086,966	\$ 2,216,346
Inventory	18,154	19,229
Prepaid expenses and other assets	9,000	6,601
Contributions receivable, net (<i>Note 4</i>)	392,972	471,872
Cash restricted for capital improvements (<i>Notes 3 and 5</i>)	1,850,533	6,400,505
Contributions receivable for capital improvements, net (<i>Note 4</i>)	2,135,151	2,510,344
Investments (<i>Note 5</i>)	3,627,602	3,123,807
Property, net (<i>Note 6</i>)	<u>9,886,337</u>	<u>2,704,619</u>
TOTAL ASSETS	<u>\$ 21,006,715</u>	<u>\$ 17,453,323</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 45,175	\$ 49,961
Construction payable	1,033,023	414,806
Deferred revenue	<u> </u>	<u>71,800</u>
Total liabilities	<u>1,078,198</u>	<u>536,567</u>
Commitments (<i>Note 12</i>)		
Net assets (<i>Note 9</i>):		
Without donor restrictions (<i>Note 7</i>)	15,642,878	4,673,969
With donor restrictions (<i>Note 8</i>)	<u>4,285,639</u>	<u>12,242,787</u>
Total net assets	<u>19,928,517</u>	<u>16,916,756</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,006,715</u>	<u>\$ 17,453,323</u>

See accompanying notes to consolidated financial statements.

**Christian Community Service Center, Inc. and
Christian Community Service Center Memorial Endowment**

Consolidated Statement of Activities for the year ended December 31, 2020

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
OPERATING REVENUE:			
Contributions	\$ 1,393,291	\$ 3,259,073	\$ 4,652,364
In-kind contributions <i>(Note 10)</i>	1,079,884		1,079,884
Special events	548,171	150	548,321
Direct donor benefit costs	(13,608)		(13,608)
Operating investment return	105,503	26,620	132,123
Loss on disposal of property	(33,553)		(33,553)
Other income	<u>3,761</u>		<u>3,761</u>
Total operating revenue	3,083,449	3,285,843	6,369,292
Net assets released from restrictions:			
Capital additions	9,781,019	(9,781,019)	
Program expenditures	<u>1,558,732</u>	<u>(1,558,732)</u>	
Total	<u>14,423,200</u>	<u>(8,053,908)</u>	<u>6,369,292</u>
OPERATING EXPENSES:			
Program services:			
Emergency Services	2,342,652		2,342,652
JobNet	301,427		301,427
Back To School	231,521		231,521
Martha's Way	204,647		204,647
Jingle Bell Express	71,269		71,269
Louise J. Moran Vision Care	68,976		68,976
Home Caregiver Training	<u>22,951</u>		<u>22,951</u>
Total program services	3,243,443		3,243,443
Supporting services:			
Management and general	291,267		291,267
Fundraising	<u>281,150</u>		<u>281,150</u>
Total operating expenses	<u>3,815,860</u>		<u>3,815,860</u>
CHANGES IN NET ASSETS FROM OPERATIONS	10,607,340	(8,053,908)	2,553,432
OTHER CHANGES IN NET ASSETS:			
Contributions to Endowment <i>(Note 9)</i>	25,173	5,142	30,315
Endowment investment return	<u>336,396</u>	<u>91,618</u>	<u>428,014</u>
CHANGES IN NET ASSETS	10,968,909	(7,957,148)	3,011,761
Net assets, beginning of year	<u>4,673,969</u>	<u>12,242,787</u>	<u>16,916,756</u>
Net assets, end of year	<u>\$ 15,642,878</u>	<u>\$ 4,285,639</u>	<u>\$ 19,928,517</u>

See accompanying notes to consolidated financial statements.

**Christian Community Service Center, Inc. and
Christian Community Service Center Memorial Endowment**

Consolidated Statement of Activities for the year ended December 31, 2019

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
OPERATING REVENUE:			
Contributions	\$ 1,225,128	\$ 3,762,766	\$ 4,987,894
In-kind contributions <i>(Note 10)</i>	691,659		691,659
Special events	300,327	14,237	314,564
Direct donor benefit costs	(47,516)		(47,516)
Sunshine Resale Shop sales	258,358		258,358
Operating investment return	204,083	25,942	230,025
Loss on disposal of property	(252,910)		(252,910)
Other income	<u>3,528</u>		<u>3,528</u>
Total operating revenue	2,382,657	3,802,945	6,185,602
Net assets released from restrictions:			
Program expenditures	<u>808,536</u>	<u>(808,536)</u>	
Total	<u>3,191,193</u>	<u>2,994,409</u>	<u>6,185,602</u>
OPERATING EXPENSES:			
Program services:			
Emergency Services	1,521,458		1,521,458
JobNet	195,341		195,341
Back To School	294,447		294,447
Martha's Way	187,553		187,553
Jingle Bell Express	62,095		62,095
Louise J. Moran Vision Care	84,367		84,367
Sunshine Resale Shop	<u>302,595</u>		<u>302,595</u>
Total program services	2,647,856		2,647,856
Supporting services:			
Management and general	237,237		237,237
Fundraising	<u>252,562</u>		<u>252,562</u>
Total operating expenses	<u>3,137,655</u>		<u>3,137,655</u>
CHANGES IN NET ASSETS FROM OPERATIONS	53,538	2,994,409	3,047,947
OTHER CHANGES IN NET ASSETS:			
Contributions to Endowment <i>(Note 9)</i>	38,903	2,600	41,503
Endowment investment return	<u>387,363</u>	<u>105,900</u>	<u>493,263</u>
CHANGES IN NET ASSETS	479,804	3,102,909	3,582,713
Net assets, beginning of year	<u>4,194,165</u>	<u>9,139,878</u>	<u>13,334,043</u>
Net assets, end of year	<u>\$ 4,673,969</u>	<u>\$ 12,242,787</u>	<u>\$ 16,916,756</u>

See accompanying notes to consolidated financial statements.

**Christian Community Service Center, Inc. and
Christian Community Service Center Memorial Endowment**

Consolidated Statement of Functional Expenses for the year ended December 31, 2020

<u>OPERATING EXPENSES</u>	<u>EMERGENCY SERVICES</u>	<u>JOBNET</u>	<u>BACK TO SCHOOL</u>	<u>MARTHA'S WAY</u>	<u>JINGLE BELL EXPRESS</u>	<u>LOUISE J. MORAN VISION CARE</u>	<u>HOME CAREGIVER TRAINING</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Direct assistance	\$ 1,761,332		\$ 181,939	\$ 5,090	\$ 20,736	\$ 22,836	\$ 883			\$1,992,816
Salaries and related costs	342,304	\$ 182,669	35,454	159,615	35,454	35,454	11,131	\$ 215,516	\$ 195,625	1,213,222
Supplies	51,076	49,477	3,953	8,507	3,793	1,323	3,108	8,010	13,546	142,793
Professional and contract services	43,138		600	10,345	600		5,350	20,120		80,153
Depreciation	39,664	17,832	1,174	1,174	1,174	1,174	1,174	2,347	2,934	68,647
Insurance	35,851	16,941	1,359	2,370	1,359	1,359	711	3,677	3,635	67,262
Occupancy	13,400	8,845	1,507	7,967	1,507	1,507	119	13,885	9,530	58,267
Printing and postage	4,981	2,001	1,813	1,681	1,896	1,715	55	2,165	40,027	56,334
Repairs and maintenance	30,588	15,925	522	1,488	1,389	522	144	1,214	792	52,584
Fees and licenses	8,684	3,489	2,223	2,664	2,223	2,223	126	18,777	11,443	51,852
Telephone	7,992	4,175	831	2,813	831	659	140	4,624	3,165	25,230
Transportation	2,543		132	788	26	190	7	3	28	3,717
Other	1,099	73	14	145	281	14	3	929	425	2,983
Total operating expenses	<u>\$ 2,342,652</u>	<u>\$ 301,427</u>	<u>\$ 231,521</u>	<u>\$ 204,647</u>	<u>\$ 71,269</u>	<u>\$ 68,976</u>	<u>\$ 22,951</u>	<u>\$ 291,267</u>	<u>\$ 281,150</u>	3,815,860
Direct donor benefit costs										<u>13,608</u>
Total										<u>\$3,829,468</u>

Note:

Program services as a percent of total operating expenses	85%
Management and general as a percent of total operating expenses	8%
Fundraising as a percent of total operating expenses	7%

See accompanying notes to consolidated financial statements.

**Christian Community Service Center, Inc. and
Christian Community Service Center Memorial Endowment**

Consolidated Statement of Functional Expenses for the year ended December 31, 2019

<u>OPERATING EXPENSES</u>	<u>EMERGENCY SERVICES</u>	<u>JOBNET</u>	<u>BACK TO SCHOOL</u>	<u>MARTHA'S WAY</u>	<u>JINGLE BELL EXPRESS</u>	<u>LOUISE J. MORAN VISION CARE</u>	<u>SUNSHINE RESALE SHOP</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Direct assistance	\$ 1,038,671		\$ 254,728	\$ 8,285	\$ 21,357	\$ 47,422				\$ 1,370,463
Salaries and related costs	304,269	\$ 150,383	27,493	134,693	27,493	27,493	\$ 107,475	\$ 170,899	\$ 197,734	1,147,932
Supplies	24,584	6,290	3,124	4,537	3,735	2,365	43,380	5,356	10,000	103,371
Professional and contract services	52,786		1,800	20,982	1,800		1,602	19,120		98,090
Depreciation	27,280	6,530	576	1,737	576	576	1,443	2,325	90	41,133
Insurance	13,451	5,199	893	2,500	893	893		4,092	1,640	29,561
Occupancy	11,326	6,568	877	4,718	877	877	134,374	8,389	5,076	173,082
Printing and postage	3,838	1,457	1,457	1,678	1,451	1,427	1,078	1,816	27,178	41,380
Repairs and maintenance	27,077	11,449	676	2,034	1,122	782	1,490	1,695	534	46,859
Fees and licenses	5,994	3,400	1,751	2,113	1,823	1,751	5,376	19,950	8,125	50,283
Telephone	6,182	3,574	607	1,056	607	285	1,721	1,944	909	16,885
Transportation	5,203	126	121	2,228	34	317	2,273	207	148	10,657
Other	797	365	344	992	327	179	2,383	1,444	1,128	7,959
Total operating expenses	<u>\$ 1,521,458</u>	<u>\$ 195,341</u>	<u>\$ 294,447</u>	<u>\$ 187,553</u>	<u>\$ 62,095</u>	<u>\$ 84,367</u>	<u>\$ 302,595</u>	<u>\$ 237,237</u>	<u>\$ 252,562</u>	3,137,655
Direct donor benefit costs										47,516
Total										<u>\$3,185,171</u>

Note:

Program services as a percent of total operating expenses	84%
Management and general as a percent of total operating expenses	8%
Fundraising as a percent of total operating expenses	8%

See accompanying notes to consolidated financial statements.

**Christian Community Service Center, Inc. and
Christian Community Service Center Memorial Endowment**

Consolidated Statements of Cash Flows for the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 3,011,761	\$ 3,582,713
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	68,647	41,133
Net realized and unrealized gain on investments	(508,949)	(563,111)
Loss on disposal of property	33,553	252,910
Contributions for capital improvements	(1,759,653)	(2,859,909)
Contributions restricted for endowment	(30,315)	(41,503)
Changes in operating assets and liabilities:		
Inventory	1,075	41,173
Prepaid expenses and other assets	(2,399)	6,828
Contributions receivable	78,900	(84,855)
Accounts payable and accrued expenses	(4,786)	(2,477)
Deferred revenue	<u>(71,800)</u>	<u>71,800</u>
Net cash provided by operating activities	<u>816,034</u>	<u>444,702</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(413,196)	(357,995)
Proceeds from sales of investments	247,067	449,786
Net change in money market mutual funds	171,283	(73,684)
Purchases of property	<u>(6,665,701)</u>	<u>(757,632)</u>
Net cash used by investing activities	<u>(6,660,547)</u>	<u>(739,525)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions for capital improvements	2,134,846	3,039,893
Proceeds from contributions restricted for endowment	<u>30,315</u>	<u>41,503</u>
Net cash provided by financing activities	<u>2,165,161</u>	<u>3,081,396</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,679,352)	2,786,573
Cash and cash equivalents, beginning of year	<u>8,616,851</u>	<u>5,830,278</u>
Cash and cash equivalents, end of year	<u>\$ 4,937,499</u>	<u>\$ 8,616,851</u>
<i>Reconciliation of cash and cash equivalents as reported in the consolidated statements of financial position:</i>		
Cash and cash equivalents	\$ 3,086,966	\$ 2,216,346
Cash restricted for capital improvements	<u>1,850,533</u>	<u>6,400,505</u>
Total cash and cash equivalents	<u>\$ 4,937,499</u>	<u>\$ 8,616,851</u>
<i>Supplemental disclosure of cash flow information:</i>		
Contributions of marketable securities	\$120,989	

See accompanying notes to consolidated financial statements.

Christian Community Service Center, Inc. and Christian Community Service Center Memorial Endowment

Notes to Consolidated Financial Statements for the years ended December 31, 2020 and 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Christian Community Service Center, Inc. (the Center) is an ecumenical, nonprofit corporation organized by member churches in the Houston area to provide food and services to people in need in the midtown and southwest Houston community. The Center provides services to the community through the following programs:

- *Emergency Services* – operates two locations in Central and Southwest Houston. The program addresses the community’s basic needs by providing food, financial assistance and referrals to persons in crisis. This effort includes helping families avoid homelessness or substandard living conditions, and providing medical assistance for eyeglasses, dental services and prescription medication.
- *JobNet* helps job-seekers through skill-building workshops, computer training, job leads, resume development, and access to office equipment. The program’s individualized design increases clients’ skills and confidence, especially those who face employment barriers including limited education, lack of computer skills and transportation challenges.
- *Back To School* provides students (Pre-K to 12th grade) with comprehensive school supplies, and new school attire, to prepare them to achieve academic success. This year’s effort continued with strategic partnerships involving a variety of schools, making a concentrated impact on campuses in underserved areas.
- *Martha’s Way* is a 42-hour residential housekeeping training program designed to teach women to become entrepreneurs in the field of housekeeping. Job leads are shared with graduates, helping them to launch their businesses.
- *Jingle Bell Express* provides children from low-income families with new toys and books for their Christmas celebrations. Each of the families also receive a food package for this special time of year. This uniquely designed program addresses several client needs including literacy and hunger.
- *Louise J. Moran Vision Care* partners with local schools and the University of Houston School of Optometry to provide vision-screening services and prescription eyeglasses to students in need in grades Pre-K to 8.
- *Home Caregiver Training* equips people for a career assisting older adults and other populations with activities of daily living. The 50+ hour training covers a variety of topics including technical skills, dementia education, relationship-building and more. The Center supports participants after graduation through job leads, continuing education, and coaching.

Christian Community Service Center Memorial Endowment (the Endowment) was created in 1998 to provide financial support for the programs of the Center. The majority of the Endowment’s Board of Directors are appointed by the Board of Directors of the Center.

Basis of consolidation – These financial statements include the assets, liabilities, net assets, and activities of the Center and the Endowment (collectively CCSC). All balances and transactions between the consolidated entities have been eliminated.

Federal income tax status – The Center and the Endowment are exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code. The Center is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi). The Endowment is classified as a Type I supporting organization under §509(a)(3).

Cash equivalents include highly liquid financial instruments with original maturities of three months or less.

Inventory is reported at the lower of cost or net realizable value.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts due in more than one year are discounted, if material, to estimate the present value of future cash flows. An allowance for uncollectible contributions receivable is provided when it is believed balances may not be collectible in full. Contributions receivable are written off against this allowance when management determines a receivable will not be collected.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Property is reported at cost if purchased or at fair value at the date of gift if donated. CCSC capitalizes property in excess of \$5,000. Depreciation is provided using the straight-line method over estimated useful lives of 3 to 40 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Operating revenue and expenses – CCSC reports activities related to its Endowment, including bequest contributions that are transferred to the Endowment from the Center, as non-operating revenue and expenses. Endowment investment return approved by the Endowment Board of Directors for Center operations is reported as operating revenue. Revenue and expenses, except those related to the Endowment, are reported as operating.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as revenue with donor restrictions. Conditional contributions are subject to one or more barriers that must be overcome before the organization is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met.

Donated materials, use of facilities and services are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special event revenue represents amounts paid by donors, sponsors, and attendees of a fundraising event and is recognized when an event occurs. Amounts received in advance are reported as deferred revenue until earned. Cost of direct donor benefits provided represents the costs of goods and services provided in exchange for the amount paid by event attendees.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation and occupancy costs are allocated based on square footage.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise of the following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 4,937,499	\$ 8,616,851
Contributions receivable	2,528,123	2,982,216
Investments	<u>3,627,602</u>	<u>3,123,807</u>
Total financial assets	11,093,224	14,722,874
Less:		
Cash restricted for capital improvements	(1,850,533)	(6,400,505)
Contributions receivable restricted for capital improvements	(2,135,151)	(2,510,344)
Endowment investments	(3,627,602)	(3,123,807)
Other donor-restricted assets subject to satisfaction of restriction	(144,600)	(225,000)
Other board-designated funds	(620,169)	(657,166)
Add:		
Endowment appropriation approved for upcoming year	142,046	136,980
Board-designated financial assets approved for use in coming year	<u>37,801</u>	<u>65,000</u>
Total financial assets available for general expenditure	<u>\$ 2,895,016</u>	<u>\$ 2,008,032</u>

CCSC is supported by various donations from its 39 member churches, individuals, foundations, and corporations. As part of CCSC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. CCSC has an endowment, of which \$3 million is board-designated and may be drawn upon in the event of unanticipated financial circumstances or an immediate liquidity need resulting from events outside the typical business cycle of converting financial assets to cash or settling financial liabilities.

CCSC considers all expenditures related to its ongoing activities of Emergency Services, Back To School, Louise J. Moran Vision Care, Jingle Bell Express, JobNet, Martha’s Way, and Home Caregiver Training, as well as services undertaken to support these activities, to be general expenditures.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2020</u>	<u>2019</u>
Bank deposits	\$ 4,329,090	\$ 2,856,376
TPF Money Market Mutual Fund	<u>608,409</u>	<u>5,760,475</u>
Total cash and cash equivalents	<u>\$ 4,937,499</u>	<u>\$ 8,616,851</u>

Bank deposits exceed the federally insured limit per depositor per institution. CCSC places its cash with high credit quality financial institutions and evaluates the credit quality of the financial institutions on a periodic basis.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2020</u>	<u>2019</u>
Capital contributions receivable	\$ 2,200,850	\$ 2,576,043
Operating contributions receivable	<u>392,972</u>	<u>471,872</u>
Total contributions receivable	2,593,822	3,047,915
Discount to net present value at 0.17% to 2.46%	(11,605)	(41,868)
Allowance for uncollectible contributions	<u>(54,094)</u>	<u>(23,831)</u>
Contributions receivable, net	<u>\$ 2,528,123</u>	<u>\$ 2,982,216</u>

Contributions receivable at December 31, 2020 are expected to be collected as follows:

2021	\$ 1,455,645
2022	559,477
2023	367,500
2024	<u>211,200</u>
Total contributions receivable	<u>\$ 2,593,822</u>

At December 31, 2020, contributions receivable from three donors totaled approximately 62% of total contributions receivable. At December 31, 2019, contributions from three donors totaled approximately 45% of total contributions receivable. During 2020, contributions from one donor comprised 19% of total contributions. During 2019, contributions from three donors comprised 32% of total contributions.

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2020 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Pooled investment funds:				
TPF Large-Cap Equity Fund (a)		\$ 1,724,114		\$ 1,724,114
TPF Fixed-Income Fund (b)		704,532		704,532
TPF International Equity Fund (c)		411,759		411,759
TPF Small-Cap Equity Fund (d)		345,644		345,644
TPF Diversified Strategies Pooled Fund (e)		179,623		179,623
TPF Emerging Markets Equity Fund (f)		163,991		163,991
TPF Money Market Mutual Fund (g)		<u>97,939</u>		<u>97,939</u>
Total investments measured at fair value		3,627,602		3,627,602
Cash equivalent:				
TPF Money Market Mutual Fund		<u>608,409</u>		<u>608,409</u>
Total assets measured at fair value	<u>\$ 0</u>	<u>\$ 4,236,011</u>	<u>\$ 0</u>	<u>\$ 4,236,011</u>

Assets measured at fair value at December 31, 2019 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Pooled investment funds:				
TPF Large-Cap Equity Fund (a)		\$ 1,345,454		\$ 1,345,454
TPF Fixed-Income Fund (b)		304,614		304,614
TPF International Equity Fund (c)		395,046		395,046
TPF Small-Cap Equity Fund (d)		284,036		284,036
TPF Diversified Strategies Pooled Fund (e)		392,902		392,902
TPF Emerging Markets Equity Fund (f)		132,534		132,534
TPF Money Market Mutual Fund (g)		<u>269,221</u>		<u>269,221</u>
Total investments measured at fair value		3,123,807		3,123,807
Cash equivalent:				
TPF Money Market Mutual Fund		<u>5,760,475</u>		<u>5,760,475</u>
Total assets measured at fair value	<u>\$ 0</u>	<u>\$ 8,884,282</u>	<u>\$ 0</u>	<u>\$ 8,884,282</u>

The pooled investment funds are not traded on a public exchange and are primarily invested in domestic and international equity and debt securities traded in public markets. The pooled investment funds are described as follows:

- (a) This fund is a broadly diversified portfolio of mostly U. S. and some international stocks that seek to provide opportunities for long-term capital growth, while avoiding speculation and undue risk. Withdrawals may be made on the last business day of the month by written request with one-day notice.
- (b) This fund is an actively managed, diversified bond portfolio with a total return strategy designed to serve as the fixed-income component for most permanent funds. Withdrawals may be made on the last business day of the month by written request with one-day notice.
- (c) This fund is a broadly diversified portfolio of large, high quality non-U. S. companies that are either ordinary shares traded on securities exchanges around the world or American Depository Receipts traded on U. S. exchanges. Withdrawals may be made on the last business day of the month by written request with one-day notice.
- (d) This fund is a blended-style portfolio of small U. S. companies allocated among managers with distinct growth, value and core strategies. Withdrawals may be made on the last business day of the month by written request with one-day notice.
- (e) This fund is a broadly diversified portfolio of primarily institutional-class mutual funds employing a variety of alternative investment strategies, including merger arbitrage, put and call options and long/short equity. Withdrawals may be made on the last business day of the month by written request with one-day notice.
- (f) This fund is a broadly diversified portfolio of smaller companies in markets with greater political and economic instability, presenting more exposure to operational and liquidity risks than in developed countries, and with currency risks that are not easily hedged. Withdrawals may be made on the last business day of the month by written request with one-day notice.
- (g) This fund is designed to achieve a competitive rate of current income with maximum safety and liquidity. There are no restrictions on withdrawals.

Pooled investment funds are valued at net asset values provided by fund management and by the annual audited financial statements of the Texas Presbyterian Foundation (TPF), an ecumenical nonprofit foundation that holds and manages the pooled investments. This valuation method may produce a fair value that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while CCSC believes its valuation method is appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 6 – PROPERTY

Property consists of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,030,130	\$ 1,030,130
Buildings and leasehold improvements	8,676,475	178,315
Equipment	247,402	11,975
Vehicles	39,910	39,910
Construction in progress		<u>1,627,984</u>
Total property, at cost	9,993,917	2,888,314
Accumulated depreciation	<u>(107,580)</u>	<u>(183,695)</u>
Property, net	<u>\$ 9,886,337</u>	<u>\$ 2,704,619</u>

NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2020</u>	<u>2019</u>
Property, net	\$ 9,886,337	\$ 1,076,635
Designated by Board of Directors for general endowment	3,375,795	3,014,226
Undesignated	1,760,577	(74,058)
Designated by Board of Directors for capital projects	113,368	73,589
Designated by Board of Directors for special projects	<u>506,801</u>	<u>583,577</u>
Total net assets without donor restrictions	<u>\$ 15,642,878</u>	<u>\$ 4,673,969</u>

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Capital	\$ 2,952,661	\$ 10,974,027
Vision Care	156,250	187,500
Back To School	75,000	40,000
Professional Home Caregiver Training Program	63,610	50,000
Emergency Services	50,000	100,000
JobNet	40,265	50,000
Martha's Way	13,333	
Jingle Bell Express	3,500	7,000
Other	<u>850</u>	<u>850</u>
Total subject to expenditure for specified purpose	<u>3,355,469</u>	<u>11,409,377</u>
Subject to spending policy and appropriation:		
General Endowment	770,408	694,533
Freeman Fund	147,744	128,284
Emily Fund	<u>12,018</u>	<u>10,593</u>
Total endowments	<u>930,170</u>	<u>833,410</u>
Total net assets with donor restrictions	<u>\$ 4,285,639</u>	<u>\$ 12,242,787</u>

NOTE 9 – ENDOWMENT

The Endowment was established to assist the Center in meeting its operating needs and includes donor-restricted endowments and a board-designated endowment created by the Center. The Board of Directors of the Endowment has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Endowment classifies the original value of gifts donated to the perpetual endowment as *net assets with donor restrictions* not subject to appropriation or expenditure. The remaining portion of the donor-restricted endowment fund is classified as *net assets with donor restrictions* until those amounts are appropriated for expenditure by the Endowment in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Endowment considers the following factors in making a determination to appropriate accumulated donor-restricted endowment funds:

- The duration and preservation of the funds
- The purposes of the Center and the donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Center
- The investment policies of the Endowment

Changes in endowment net assets are as follows:

	BOARD- DESIGNATED ENDOWMENT	WITH DONOR RESTRICTIONS		TOTAL
		ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	
Endowment net assets, December 31, 2018	<u>\$ 2,587,960</u>	<u>\$ 465,228</u>	<u>\$ 259,682</u>	<u>\$ 3,312,870</u>
Contributions	38,903		2,600	41,503
Net investment return	491,993	131,842		623,835
Distributions	<u>(104,630)</u>	<u>(25,942)</u>		<u>(130,572)</u>
Endowment net assets, December 31, 2019	<u>3,014,226</u>	<u>571,128</u>	<u>262,282</u>	<u>3,847,636</u>
Contributions	25,173		5,142	30,315
Net investment return	447,724	118,388		566,112
Distributions	<u>(111,328)</u>	<u>(26,770)</u>		<u>(138,098)</u>
Endowment net assets, December 31, 2020	<u>\$ 3,375,795</u>	<u>\$ 662,746</u>	<u>\$ 267,424</u>	<u>\$ 4,305,965</u>

Endowment net asset composition as of December 31, 2020:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity		\$ 267,424	\$ 267,424
Accumulated net investment return		662,746	662,746
Board-designated endowment funds	<u>\$ 3,375,795</u>		<u>3,375,795</u>
Endowment net assets	<u>\$ 3,375,795</u>	<u>\$ 930,170</u>	<u>\$ 4,305,965</u>

Endowment net asset composition as of December 31, 2019:

	WITHOUT DONOR <u>RESTRICTIONS</u>	WITH DONOR <u>RESTRICTIONS</u>	<u>TOTAL</u>
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity		\$ 262,282	\$ 262,282
Accumulated net investment return		571,128	571,128
Board-designated endowment funds	<u>\$ 3,014,226</u>	<u> </u>	<u>3,014,226</u>
Endowment net assets	<u>\$ 3,014,226</u>	<u>\$ 833,410</u>	<u>\$ 3,847,636</u>

Investment Policies and Strategy

The purpose of the Endowment is to provide long-term financial support to the Center. Accordingly, the Endowment’s strategic asset allocation is based on this long-term perspective. The Endowment Board of Directors recognizes the difficulty of achieving the Endowment’s investment objectives in light of the uncertainties and complexities of investment markets. It also recognizes that some risk must be assumed to achieve long-term investment objectives. The target performance objective is that, over a complete market cycle, the overall annualized total return should outperform its relevant benchmarks. Performance objectives have been based upon the assumption that future rates of return will approximate historical rates of return experienced for various asset classes. The Endowment Board of Directors realizes that market performance varies and that a real rate of return may not be achievable during short-term periods.

Spending Policy

Annually, the Endowment distributes 4% of the average market value of the Endowment’s funds under management for the preceding twelve quarters. The annual distribution is disbursed over four quarters. Excluded from funds under management are any restricted funds that do not qualify as distributable for the upcoming year. The Freeman Fund distributes income on a quarterly basis to provide warm clothing for the needy. In conjunction with the authorization of the annual distribution, the Endowment Board of Directors reviews this policy in light of current and expected market conditions and the rate of inflation. Other distributions may be made from time to time at the discretion of the Endowment Board of Directors. These policies are consistent with CCSC’s objectives to preserve the corpus of the Endowment, grow the total value of the Endowment through investments and gifts, and financially support the mission and activities of the Center.

Loan to the Center

In January 2016, the Endowment loaned the Center \$800,000 to fund the acquisition of land on which the Center plans to construct a new programmatic and administrative facility. The loan bears interest at 4.29% and is payable in quarterly installments of \$14,946 until January 2036 at which time any unpaid principal and interest is due. During 2020 and 2019, the Endowment recognized, and the Center incurred, interest of approximately \$29,000 and \$30,000, respectively, on the loan. These amounts have been eliminated in consolidation.

NOTE 10 – CONTRIBUTED SERVICES AND MATERIALS

The majority of food distributed by the Center is received by contributions from donors and from discounted food provided by a local food bank. The estimated fair value of these contributions is recognized in the financial statements as contribution revenue and program expense. The estimated fair value of food donated is based on an average fair value per standard bag of food distributed. Donated clothing is used in the Center's Emergency Services and Back To School programs and is valued based on an estimated fair value per item of clothing distributed. The total value of contributed food was approximately \$1,070,000 in 2020 and \$590,000 in 2019. The total value of contributed clothing was approximately \$102,000 in 2019. No contributed clothing was recognized in 2020.

A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration and clerical support for which no amount has been recognized in the financial statements because the donated services did not meet the criteria for recognition under generally accepted accounting principles. The estimated hours contributed as volunteer services approximated 17,500 and 37,100 hours, respectively, in 2020 and 2019.

NOTE 11 – EMPLOYEE BENEFIT PLAN

The Center maintains a §403(b) defined contribution plan. After one year of service, the Center contributes 3% of each qualified employee's salary to the plan and also matches 50% of employee contributions up to 2% of compensation. Employees are immediately fully vested in the Center's contributions. The Center contributed approximately \$40,000 and \$35,000 to the plan in 2020 and 2019, respectively.

NOTE 12 – COMMITMENTS

Construction Contracts – The Center has entered into various construction contracts totaling approximately \$8.3 million. The unrecognized balance of these commitments at December 31, 2020 was approximately \$1.1 million.

Loan Agreement – In August 2019, the Center entered into a \$4,000,000 bridge loan agreement with a bank. The Center completed construction of its new facility without making any draws under the agreement which was closed out in March 2021. Subsequent to December 31, 2020, the Center also has fulfilled its commitments on the related construction contracts and repaid the loan from the Endowment that had been used to fund acquisition of the land on which the building was constructed.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 26, 2021, which is the date that the financial statements were available for issuance. No events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.