

**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, 2021 and 2020

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

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**Independent Auditors' Report**

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

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the 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, 2021 and 2020, 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 consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Center and the Endowment as of December 31, 2021 and 2020, 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.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Center and the Endowment and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's and the Endowment's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Center's and the Endowment's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's and the Endowment's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Blazek & Vetterling*

May 18, 2022

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

Consolidated Statements of Financial Position as of December 31, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents ( <i>Notes 3 and 5</i> )	\$ 2,326,252	\$ 3,086,966
Inventory	45,742	18,154
Prepaid expenses and other assets	40,000	9,000
Contributions receivable, net ( <i>Note 4</i> )	384,886	392,972
Cash restricted for capital improvements ( <i>Notes 3 and 5</i> )	473,784	1,850,533
Contributions receivable for capital improvements, net ( <i>Note 4</i> )	1,184,595	2,135,151
Investments ( <i>Note 5</i> )	6,390,809	3,627,602
Property, net ( <i>Note 6</i> )	<u>10,305,817</u>	<u>9,886,337</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 21,151,885</u></b>	<b><u>\$ 21,006,715</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 57,705	\$ 45,175
Construction payable	<u>53,615</u>	<u>1,033,023</u>
Total liabilities	<u>111,320</u>	<u>1,078,198</u>
Net assets ( <i>Note 9</i> ):		
Without donor restrictions ( <i>Note 7</i> )	15,806,905	15,642,878
With donor restrictions ( <i>Note 8</i> )	<u>5,233,660</u>	<u>4,285,639</u>
Total net assets	<u>21,040,565</u>	<u>19,928,517</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 21,151,885</u></b>	<b><u>\$ 21,006,715</u></b>

*See accompanying notes to consolidated financial statements.*

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

Consolidated Statement of Activities for the year ended December 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>OPERATING REVENUE:</b>			
Contributions	\$ 1,218,028	\$ 2,136,837	\$ 3,354,865
In-kind contributions ( <i>Note 10</i> )	980,874		980,874
Special events	638,227	7,840	646,067
Direct donor benefit costs	(108,664)		(108,664)
Operating investment return	108,477	30,861	139,338
Other income	<u>3,400</u>		<u>3,400</u>
Total operating revenue	2,840,342	2,175,538	5,015,880
Net assets released from restrictions:			
Program expenditures	<u>1,330,162</u>	<u>(1,330,162)</u>	
Total	<u>4,170,504</u>	<u>845,376</u>	<u>5,015,880</u>
<b>OPERATING EXPENSES:</b>			
Program services:			
Emergency Services	2,632,730		2,632,730
JobNet	312,353		312,353
Back To School	296,883		296,883
Martha's Way	214,544		214,544
Home Caregiver Training	105,030		105,030
Jingle Bell Express	71,070		71,070
Louise J. Moran Vision Care	<u>68,294</u>		<u>68,294</u>
Total program services	3,700,904		3,700,904
Supporting services:			
Management and general	316,941		316,941
Fundraising	<u>286,985</u>		<u>286,985</u>
Total operating expenses	<u>4,304,830</u>		<u>4,304,830</u>
CHANGES IN NET ASSETS FROM OPERATIONS	(134,326)	845,376	711,050
<b>OTHER CHANGES IN NET ASSETS:</b>			
Contributions to Endowment ( <i>Note 9</i> )		20,900	20,900
Endowment investment return	<u>298,353</u>	<u>81,745</u>	<u>380,098</u>
CHANGES IN NET ASSETS	164,027	948,021	1,112,048
Net assets, beginning of year	<u>15,642,878</u>	<u>4,285,639</u>	<u>19,928,517</u>
Net assets, end of year	<u>\$ 15,806,905</u>	<u>\$ 5,233,660</u>	<u>\$ 21,040,565</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>
<b>OPERATING REVENUE:</b>			
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>
<b>OPERATING EXPENSES:</b>			
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
Home Caregiver Training	22,951		22,951
Jingle Bell Express	71,269		71,269
Louise J. Moran Vision Care	<u>68,976</u>		<u>68,976</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
<b>OTHER CHANGES IN NET ASSETS:</b>			
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 Functional Expenses for the year ended December 31, 2021

<u>OPERATING EXPENSES</u>	<u>EMERGENCY SERVICES</u>	<u>JOBNET</u>	<u>BACK TO SCHOOL</u>	<u>MARTHA'S WAY</u>	<u>HOME CAREGIVER TRAINING</u>	<u>JINGLE BELL EXPRESS</u>	<u>LOUISE J. MORAN VISION CARE</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Direct assistance	\$ 1,878,182	\$ 4,558	\$ 238,726	\$ 9,625	\$ 2,612	\$ 15,324	\$ 17,583			\$ 2,166,610
Salaries and related costs	367,741	166,174	37,210	170,411	87,974	37,210	37,210	\$ 239,366	\$ 200,791	1,344,087
Depreciation	131,500	61,032	4,696	4,696	4,696	4,696	4,696	9,388	11,736	237,136
Supplies	54,937	20,749	5,155	7,383	1,927	5,110	1,751	14,092	9,465	120,569
Professional and contract services	54,903		1,600	12,648	1,547	720		19,725		91,143
Repairs and maintenance	50,056	17,145	1,910	2,971	1,232	1,760	1,556	2,573	3,278	82,481
Insurance	38,940	18,408	1,416	1,416	1,340	1,416	1,416	3,806	3,350	71,508
Printing and postage	6,565	2,344	2,714	2,255	1,185	1,878	1,857	2,885	43,558	65,241
Occupancy	26,006	12,215	946	946	1,140	946	946	1,901	2,364	47,410
Fees and licenses	6,017	3,392	427	911	893	417	398	20,644	10,529	43,628
Telephone	12,873	5,592	1,599	551	410	1,308	606	1,480	1,025	25,444
Transportation	2,577	11	109	546	18	33	192	373	325	4,184
Other	<u>2,433</u>	<u>733</u>	<u>375</u>	<u>185</u>	<u>56</u>	<u>252</u>	<u>83</u>	<u>708</u>	<u>564</u>	<u>5,389</u>
Total operating expenses	<u>\$ 2,632,730</u>	<u>\$ 312,353</u>	<u>\$ 296,883</u>	<u>\$ 214,544</u>	<u>\$ 105,030</u>	<u>\$ 71,070</u>	<u>\$ 68,294</u>	<u>\$ 316,941</u>	<u>\$ 286,985</u>	4,304,830
Direct donor benefit costs										<u>108,664</u>
Total										<u>\$ 4,413,494</u>

*Note:*

Program services as a percent of total operating expenses	86%
Management and general as a percent of total operating expenses	7%
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, 2020

<u>OPERATING EXPENSES</u>	<u>EMERGENCY SERVICES</u>	<u>JOBNET</u>	<u>BACK TO SCHOOL</u>	<u>MARTHA'S WAY</u>	<u>HOME CAREGIVER TRAINING</u>	<u>JINGLE BELL EXPRESS</u>	<u>LOUISE J. MORAN VISION CARE</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Direct assistance	\$ 1,761,332		\$ 181,939	\$ 5,090	\$ 883	\$ 20,736	\$ 22,836			\$ 1,992,816
Salaries and related costs	342,304	\$ 182,669	35,454	159,615	11,131	35,454	35,454	\$ 215,516	\$ 195,625	1,213,222
Depreciation	39,664	17,832	1,174	1,174	1,174	1,174	1,174	2,347	2,934	68,647
Supplies	51,076	49,477	3,953	8,507	3,108	3,793	1,323	8,010	13,546	142,793
Professional and contract services	43,138		600	10,345	5,350	600		20,120		80,153
Repairs and maintenance	30,588	15,925	522	1,488	144	1,389	522	1,214	792	52,584
Insurance	35,851	16,941	1,359	2,370	711	1,359	1,359	3,677	3,635	67,262
Printing and postage	4,981	2,001	1,813	1,681	55	1,896	1,715	2,165	40,027	56,334
Occupancy	13,400	8,845	1,507	7,967	119	1,507	1,507	13,885	9,530	58,267
Fees and licenses	8,684	3,489	2,223	2,664	126	2,223	2,223	18,777	11,443	51,852
Telephone	7,992	4,175	831	2,813	140	831	659	4,624	3,165	25,230
Transportation	2,543		132	788	7	26	190	3	28	3,717
Other	1,099	73	14	145	3	281	14	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>\$ 22,951</u>	<u>\$ 71,269</u>	<u>\$ 68,976</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 Statements of Cash Flows for the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 1,112,048	\$ 3,011,761
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	237,136	68,647
Net realized and unrealized gain on investments	(465,565)	(508,949)
Loss on disposal of property		33,553
Contributions for capital improvements	(1,062,334)	(1,759,653)
Contributions restricted for endowment	(20,900)	(30,315)
Changes in operating assets and liabilities:		
Inventory	(27,588)	1,075
Prepaid expenses and other assets	(31,000)	(2,399)
Contributions receivable	8,086	78,900
Accounts payable and accrued expenses	12,530	(4,786)
Deferred revenue		<u>(71,800)</u>
Net cash provided (used) by operating activities	<u>(237,587)</u>	<u>816,034</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(3,180,755)	(413,196)
Proceeds from sales of investments	1,195,051	247,067
Net change in money market mutual funds held for investment	(311,938)	171,283
Purchases of property	<u>(1,636,024)</u>	<u>(6,665,701)</u>
Net cash used by investing activities	<u>(3,933,666)</u>	<u>(6,660,547)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions for capital improvements	2,012,890	2,134,846
Proceeds from contributions restricted for endowment	<u>20,900</u>	<u>30,315</u>
Net cash provided by financing activities	<u>2,033,790</u>	<u>2,165,161</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,137,463)</b>	<b>(3,679,352)</b>
Cash and cash equivalents, beginning of year	<u>4,937,499</u>	<u>8,616,851</u>
Cash and cash equivalents, end of year	<u>\$ 2,800,036</u>	<u>\$ 4,937,499</u>
<i>Reconciliation of cash and cash equivalents as reported in the consolidated statements of financial position:</i>		
Cash and cash equivalents	\$ 2,326,252	\$ 3,086,966
Cash restricted for capital improvements	<u>473,784</u>	<u>1,850,533</u>
Total cash and cash equivalents	<u>\$ 2,800,036</u>	<u>\$ 4,937,499</u>
<i>Supplemental disclosure of cash flow information:</i>		
Contributions of marketable securities	\$84,848	\$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, 2021 and 2020

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### 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 12<sup>th</sup> 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 *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 includes elements of both contributions and exchange transactions. Special event revenue is recognized when an event occurs. Amounts received in advance are reported as deferred revenue until earned. Direct donor benefit costs represent 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.

Recent financial accounting pronouncement – Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, will require contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and will require disclosure about the measurement and use of types of contributed nonfinancial assets. The ASU will be effective for years beginning after June 15, 2021 and requires retrospective application. CCSC will adopt this ASU in fiscal year 2022.

## 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>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 2,800,036	\$ 4,937,499
Contributions receivable, net	1,569,481	2,528,123
Investments	<u>6,390,809</u>	<u>3,627,602</u>
Total financial assets	10,760,326	11,093,224
Less:		
Cash restricted for capital improvements	(473,784)	(1,850,533)
Contributions receivable restricted for capital improvements	(1,184,595)	(2,135,151)
Endowment investments	(6,390,809)	(3,627,602)
Other donor-restricted assets subject to satisfaction of restriction	(88,350)	(144,600)
Other board-designated funds	(610,307)	(620,169)
Add:		
Endowment appropriation approved for upcoming year	223,391	142,046
Board-designated financial assets approved for use in coming year	<u>192,000</u>	<u>37,801</u>
Total financial assets available for general expenditure	<u>\$ 2,427,872</u>	<u>\$ 2,895,016</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>2021</u>	<u>2020</u>
Bank deposits	\$ 2,178,959	\$ 4,329,090
TPF Money Market Mutual Fund	<u>621,077</u>	<u>608,409</u>
Total cash and cash equivalents	<u>\$ 2,800,036</u>	<u>\$ 4,937,499</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>2021</u>	<u>2020</u>
Capital contributions receivable	\$ 1,250,294	\$ 2,200,850
Operating contributions receivable	<u>384,886</u>	<u>392,972</u>
Total contributions receivable	1,635,180	2,593,822
Discount to net present value at 0.17% to 2.46%	(7,617)	(11,605)
Allowance for uncollectible contributions	<u>(58,082)</u>	<u>(54,094)</u>
Contributions receivable, net	<u>\$ 1,569,481</u>	<u>\$ 2,528,123</u>

Contributions receivable at December 31, 2021 are expected to be collected as follows:

2022	\$ 854,884
2023	480,000
2024	<u>300,296</u>
Total contributions receivable	<u>\$ 1,635,180</u>

At December 31, 2021, contributions receivable from four donors totaled approximately 84% of total contributions receivable. At December 31, 2020, contributions receivable from three donors totaled approximately 62% of total contributions receivable. During 2020, contributions from three donors comprised 19% 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, 2021 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)		\$ 2,379,288		\$ 2,379,288
TPF Fixed-Income Fund (b)		1,194,361		1,194,361
TPF International Equity Fund (c)		593,259		593,259
TPF Emerging Markets Equity Fund (d)		508,417		508,417
TPF Small-Cap Equity Fund (e)		489,705		489,705
TPF Money Market Mutual Fund (f)		409,877		409,877
TPF Real Estate Pooled Fund (g)		322,475		322,475
TPF Real Assets Pooled Fund (h)		322,082		322,082
TPF Balanced Pool Fund (i)		<u>171,345</u>		<u>171,345</u>
Total investments measured at fair value		6,390,809		6,390,809
Cash equivalent:				
TPF Money Market Mutual Fund		<u>621,077</u>		<u>621,077</u>
Total assets measured at fair value	<u>\$ 0</u>	<u>\$ 7,011,886</u>	<u>\$ 0</u>	<u>\$ 7,011,886</u>

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 Emerging Markets Equity Fund (d)		163,991		163,991
TPF Small-Cap Equity Fund (e)		345,644		345,644
TPF Money Market Mutual Fund (f)		97,939		97,939
TPF Diversified Strategies Pooled Fund (j)		<u>179,623</u>		<u>179,623</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>

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 three days' 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 three days' notice.
- (d) 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 three days' notice.
- (e) 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 three days' notice.
- (f) This fund is designed to achieve a competitive rate of current income with maximum safety and liquidity. There are no restrictions on withdrawals.
- (g) This fund is a diversified commingled portfolio of core institutional-quality, income-producing real properties designed to provide exposure to this additional asset class. Withdrawals may be made on the last business day of the month by written request with three days' notice.
- (h) This fund is a diversified portfolio of liquid, inflation-sensitive assets/strategies that tend to be positively correlated with unanticipated inflation. Withdrawals may be made on the last business day of the month by written request with three days' notice.
- (i) This fund is a fund of funds that holds interest in most of the TPF Funds (excluding TPF's Money Market Fund) in proportions allocated as determined by the TPF Board of Trustee's Investment Committee. Withdrawals may be made on the last business day of the month by written request with three days' notice.
- (j) 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.

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>2021</u>	<u>2020</u>
Land	\$ 1,030,130	\$ 1,030,130
Buildings and leasehold improvements	8,676,475	8,676,475
Equipment	247,402	247,402
Vehicles	39,910	39,910
Construction in progress	<u>656,616</u>	<u>                    </u>
Total property, at cost	10,650,533	9,993,917
Accumulated depreciation	<u>(344,716)</u>	<u>(107,580)</u>
Property, net	<u>\$ 10,305,817</u>	<u>\$ 9,886,337</u>

## NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2021</u>	<u>2020</u>
Property, net	\$ 10,305,817	\$ 9,886,337
Designated by Board of Directors for general endowment	3,674,148	3,375,795
Undesignated	1,136,633	1,760,577
Designated by Board of Directors for capital projects	113,368	113,368
Designated by Board of Directors for special projects	<u>576,939</u>	<u>506,801</u>
Total net assets without donor restrictions	<u>\$ 15,806,905</u>	<u>\$ 15,642,878</u>

## NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Capital	\$ 2,314,995	\$ 2,952,661
Vision Care	125,000	156,250
Back To School	60,000	75,000
Professional Home Caregiver Training Program		63,610
Emergency Services		50,000
JobNet		40,265
Martha's Way		13,333
Jingle Bell Express		3,500
Other	<u>850</u>	<u>850</u>
Total subject to expenditure for specified purpose	<u>2,500,845</u>	<u>3,355,469</u>
Subject to spending policy and appropriation:		
General Endowment	2,557,683	770,408
Freeman Fund	162,065	147,744
Emily Fund	<u>13,067</u>	<u>12,018</u>
Total endowments	<u>2,732,815</u>	<u>930,170</u>
Total net assets with donor restrictions	<u>\$ 5,233,660</u>	<u>\$ 4,285,639</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 ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	TOTAL
Endowment net assets, December 31, 2019	\$ 3,014,226	\$ 571,128	\$ 262,282	\$ 3,847,636
Contributions	25,173		5,142	30,315
Net investment return	447,724	118,388		566,112
Distributions	(111,328)	(26,770)		(138,098)
Endowment net assets, December 31, 2020	<u>3,375,795</u>	<u>662,746</u>	<u>267,424</u>	<u>4,305,965</u>
Contributions			20,900	20,900
Transfers			1,700,000	1,700,000
Net investment return	414,005	112,756		526,761
Distributions	(115,652)	(31,011)		(146,663)
Endowment net assets, December 31, 2021	<u>\$ 3,674,148</u>	<u>\$ 744,491</u>	<u>\$ 1,988,324</u>	<u>\$ 6,406,963</u>

Endowment net asset composition as of December 31, 2021:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity		\$ 1,988,324	\$ 1,988,324
Accumulated net investment return		744,491	744,491
Board-designated endowment funds	\$ 3,674,148		3,674,148
Endowment net assets	<u>\$ 3,674,148</u>	<u>\$ 2,732,815</u>	<u>\$ 6,406,963</u>

Endowment net asset composition as of December 31, 2020:

	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		\$ 267,424	\$ 267,424
Accumulated net investment return		662,746	662,746
Board-designated endowment funds	<u>\$ 3,375,795</u>	<u>                    </u>	<u>3,375,795</u>
Endowment net assets	<u>\$ 3,375,795</u>	<u>\$ 930,170</u>	<u>\$ 4,305,965</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 constructed a new programmatic and administrative facility. The loan was paid entirely in January 2021. During 2021 and 2020, the Endowment recognized, and the Center incurred, interest of approximately \$7,000 and \$29,000, 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 \$960,000 in 2021 and \$1,070,000 in 2020. No contributed clothing was recognized in 2021.

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 22,000 and 17,500 hours, respectively, in 2021 and 2020.

#### **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 \$42,000 and \$40,000 to the plan in 2021 and 2020, respectively.

#### **NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 18, 2022, which is the date that the financial statements were available for issuance. As a result of this evaluation, 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.

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