

**NATIONS MINISTRY CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED JUNE 30, 2020**

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Edmondson, Betzler & Dame
Certified Public Accountants
INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Nations Ministry Center

Report on the Financial Statements

We have audited the accompanying financial statements of Nations Ministry Center (the "Organization"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 the financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 of 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 the Organization'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 Organization'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 Nations Ministry Center as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Edmondson, Betzler & Dame, PLLC

September 30, 2020

**NATIONS MINISTRY CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020**

ASSETS

Current assets:	
Cash	\$ 582,199
Restricted cash	<u>74,892</u>
Total cash and cash equivalents	657,091
Account receivable	1,125
Grant receivable	20,000
Current contributions receivable, net	5,000
Prepaid insurance	<u>16,858</u>
Total current assets	<u>700,074</u>
Long term assets:	
Non-current contributions receivable, net	10,000
Property and equipment, net	<u>360,440</u>
Total long term assets	<u>370,440</u>
Total assets	<u><u>\$ 1,070,514</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 11,527
Current portion of notes payable	<u>34,476</u>
Total current liabilities	<u>46,003</u>
Long term liabilities:	
Notes payable, net of current portion	<u>43,899</u>
Total long term liabilities	<u>43,899</u>
Total liabilities	<u>89,902</u>
Net assets:	
Without donor restrictions	905,720
With donor restrictions	<u>74,892</u>
Total net assets	<u>980,612</u>
Total liabilities and net assets	<u><u>\$ 1,070,514</u></u>

The accompanying notes are an integral part of these financial statements.

**NATIONS MINISTRY CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 509,566	\$ 13,548	\$ 523,114
Grants	54,918	25,000	79,918
Contributions in-kind	41,025	-	41,025
Program revenue	26,215	-	26,215
Interest income	8,847	-	8,847
Fundraising events	7,420	-	7,420
Net assets released from restrictions	65,644	(65,644)	-
Total revenues and other support	713,635	(27,096)	686,539
Expenses:			
Program services	589,166	-	589,166
Support services:			
Fundraising	17,770	-	17,770
Management and general	12,042	-	12,042
Total support services	29,812	-	29,812
Total expenses	618,978	-	618,978
Change in net assets	94,657	(27,096)	67,561
Net assets, beginning of year	811,063	101,988	913,051
Net assets, end of year	\$ 905,720	\$ 74,892	\$ 980,612

The accompanying notes are an integral part of these financial statements.

**NATIONS MINISTRY CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	Program Services		Supporting Services		Total Expenses	
	Nations Academy	Immigration and Social Services	Programs Subtotal	Management and General		Fundraising
Salaries and wages	\$ 201,283	\$ 171,618	\$ 372,901	\$ 9,768	\$ 9,768	\$ 392,437
Payroll taxes	14,593	13,206	27,799	747	747	29,293
Employee benefits	2,710	2,308	5,018	132	132	5,282
Total salaries and benefits	218,586	187,132	405,718	10,647	10,647	427,012
Office expense and supplies	38,526	34,148	72,674	32	354	73,060
Rent	20,286	-	20,286	207	207	20,700
Depreciation	-	20,463	20,463	-	-	20,463
Travel and transportation	10,983	8,343	19,326	-	-	19,326
Contract services	1,278	18,044	19,322	-	-	19,322
Facilities	-	15,934	15,934	495	495	16,924
Telephone and internet	-	3,623	3,623	285	285	4,193
Insurance	-	2,626	2,626	328	328	3,282
Professional development	851	2,240	3,091	-	-	3,091
Printing	-	180	180	-	2,814	2,994
Postage	-	463	463	-	1,842	2,305
Payroll expense	994	845	1,839	48	48	1,935
Meals	751	1,118	1,869	-	26	1,895
Fees and memberships	-	632	632	-	724	1,356
Community outreach	-	1,120	1,120	-	-	1,120
	\$ 292,255	\$ 296,911	\$ 589,166	\$ 12,042	\$ 17,770	\$ 618,978

The accompanying notes are an integral part of these financial statements.

**NATIONS MINISTRY CENTER
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

Cash flows from operating activities:	
Increase in net assets	\$ 67,561
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	20,463
Decrease in accounts receivable	1,655
Decrease in prepaid expenses	8,783
Decrease in pledges receivable	5,000
Increase in grants receivable	(20,000)
Increase in accounts payable	<u>6,582</u>
Net cash provided by operating activities	<u>90,044</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(12,079)</u>
Net cash used in investing activities	<u>(12,079)</u>
Cash flows from financing activities:	
Proceeds from issuance of notes payable	<u>78,375</u>
Net cash provided by financing activities	<u>78,375</u>
Net increase in cash	156,340
Cash, beginning of year	<u>500,751</u>
Cash, end of year	<u><u>\$ 657,091</u></u>

The accompanying notes are an integral part of these financial statements.

**NATIONS MINISTRY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Nations Ministry Center's (the "Organization") purpose is to help refugee families become generationally self-sufficient through job coaching and training, education opportunity including summer reading programs and after-school literacy development, and family social services including immigration assistance.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Restricted Cash

Certain cash accounts are classified as restricted assets on the statements of financial position because their use is limited by donor restrictions.

Pledges Receivable

Pledges receivable are stated at the amount the Organization expects to collect from outstanding balances. The Organization provides for estimated uncollectible receivables through bad debt expense and a credit to an allowance based on its assessment of the current status of individual accounts and historical write-off experience. Balances that are still outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. No allowance was considered necessary at June 30, 2020.

Property and Equipment

Property and equipment are reported at cost and include improvements that significantly add to utility or extend useful lives and exceed \$1,000. Costs of maintenance and repairs are charged to expense as incurred. Assets are depreciated using a straight-line basis to allocate cost over their estimated useful lives of 5-7 years for vehicles, furniture and equipment and over 15 - 27.5 years for buildings and improvements. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in income for the period. A gain on trade-in is applied to reduce the cost of the new acquisition.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**NATIONS MINISTRY CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

All contributions are considered to be without donor restriction unless specifically stated by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. However, if a restriction is fulfilled in the same time period the contribution is received, the Organization reports the support as net assets without donor restriction.

Contributions Receivable

Contributions receivable, less an allowance for uncollectible amounts, are recognized as revenues in the period promised, and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Amounts expected to be collected within the next fiscal year are classified as current assets at the face value of the receivable. Amounts which are not collectible within the next fiscal year are recorded as non-current contributions receivable, using the estimated present value of the future cash flows. Donor pledges which are expected to be collected over a period greater than one year are discounted at current interest rates, if material.

Donated Materials and Services

Contributions of donated material that are usable for program services, fundraising, and support of management and general functions are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and which would typically need to be purchased if not donated, are recorded at their fair values in the period received.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. As of June 30, 2020, the Organization has no donated property or equipment which is restricted.

The fair value of donated volunteer services is not reflected in the accompanying financial statements since it is not practical to objectively determine the fair value of services received. However, management estimates that a substantial number of volunteers have donated significant amounts of their time.

**NATIONS MINISTRY CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been made in the accompanying financial statements.

The Organization has adopted ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, including the position that the Organization continues to qualify to be treated as a tax-exempt entity for both federal and state income tax purposes. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended June 30, 2020, the Organization has no material uncertain tax positions to be accounted for in the financial statements under these rules. The Organization has exempt organization tax filings open to Internal Revenue Service audit, generally, for three years after they are filed.

Concentrations of Credit Risk

The Organization maintains bank accounts at one financial institution. Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash equivalents and short-term investments. The Organization utilizes the Insured Cash Sweep ("ICS") product at their financial institution for cash and cash equivalents in excess of their operating funds, which reduces or eliminates the risk related to concentrations of investments above FDIC insurance levels. The Organization has not experienced any losses in the accounts. Management believes the Organization is not exposed to any significant credit risk related to cash.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, payroll taxes, and payroll expense, which are allocated on the basis of estimates of time and effort, as well as facilities and depreciation, which are allocated on an estimate of usage. All other expenses are directly assigned to their related program.

**NATIONS MINISTRY CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred after June 30, 2020, through the date of the issued financial statements. During the period there were no material recognizable subsequent events that required recognition in the disclosures to the June 30, 2020 financial statements.

NOTE 2 - CONTRIBUTIONS RECEIVABLE

The current portion represents the face value of contributions collectible within the next fiscal year. The non-current portion represents the present value of amounts due after one year.

Due in less than one year	\$ 5,000
Due in one to five years	<u>10,000</u>
Total	<u><u>\$ 15,000</u></u>

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Property and equipment at June 30, 2020, is as follows:

Building	\$ 254,364
Land	91,218
Vehicles	76,410
Land improvements	6,690
Furniture and fixtures	<u>12,480</u>
	441,162
Less: accumulated depreciation	<u>(80,722)</u>
	<u><u>\$ 360,440</u></u>

NOTE 4 - ACCOUNTS PAYABLE

The Organization maintains on line of credit on a credit card. The line has a credit limit available of \$30,000 and bear interest at 16.75% annual rate for purchases and 20.24% annual rate for cash advances. The outstanding balance on the credit card was \$11,527 as of June 30, 2020.

The Organization has a policy to pay liabilities or other obligations as they become due.

**NATIONS MINISTRY CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

NOTE 5 - NOTES PAYABLE

The Organization's outstanding debt as of June 30, 2020 was as follows:

Notes payable	\$ 78,375
Less current portion	<u>(34,476)</u>
Total non-current portion	<u><u>\$ 43,899</u></u>

The Organization has an unsecured note payable with First Freedom Bank dated April 8, 2020 due in monthly installments of \$4,412 including interest at a fixed rate of 1.00%. Payments are scheduled to begin on November 08, 2020. The note is due in full on April 08, 2022. The balance of the note payable at June 30, 2020 was \$78,375.

The loan from First Freedom Bank was received under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause the Organization to be ineligible for forgiveness of the loan, in whole or in part.

A summary of future maturities of notes payable is as follows:

2021		\$ 34,476
2022		<u>43,899</u>
		<u><u>\$ 78,375</u></u>

NOTE 6 - NET ASSETS

The Organization's governing board has designated, from net assets without donor restrictions of \$905,720, net assets for an operating reserve of \$200,000.

Net assets with donor restrictions as of June 30, 2020 were restricted for the following purposes:

Contributions received for capital improvements	\$ 53,695
Funds received with use restrictions	<u>21,197</u>
	<u><u>\$ 74,892</u></u>

**NATIONS MINISTRY CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

NOTE 7 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has \$683,216 of financial assets available within one year of the statement financial position date consisting of cash of \$657,091, account and grant receivable of \$21,125, and contributions receivable of \$5,000. Cash of \$582,199 is not restricted by donors, and \$74,892 is restricted by donors, as of the financial statement date. The accounts receivable are subject to implied time restrictions, but are expected to be collected within one year. Contributions receivable are restricted for capital improvements. The Organization has a goal to maintain financial assets, which consist of cash, on hand to meet six months of normal operating expense, which are, on average, approximately \$310,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 8 - DONATED MATERIALS AND SERVICES

Donated facilities and supplies ("in-kind" contributions) included in the statement of activities are as follows:

Contributions in-kind:	
Rent	\$ 20,700
Supplies for Nations Academy	12,115
COVID-19 relief	<u>8,210</u>
Total contributions in-kind	<u>41,025</u>
Expenses:	
Functional expenses:	
Program services	40,447
Management and general	289
Fundraising	<u>289</u>
Total expenses in-kind	<u>41,025</u>
Increase in net assets	<u>\$ -</u>