

**NATIONS MINISTRY CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED JUNE 30, 2018**

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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, 2018, 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, 2018, 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, P.C.
September 21, 2018

**NATIONS MINISTRY CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018**

ASSETS

Cash	\$ 448,325
Grants receivable	23,579
Accounts receivable	6,650
Contributions receivable	51,350
Prepaid expenses	13,548
Property and equipment, net	<u>323,377</u>
 Total assets	 <u><u>\$ 866,829</u></u>

LIABILITIES AND NET ASSETS

Net assets:	
Unrestricted:	
Board designated - operating reserve	200,000
Undesignated	<u>484,466</u>
Total unrestricted net assets	684,466
 Temporarily restricted net assets	 <u>182,363</u>
 Total net assets	 <u><u>\$ 866,829</u></u>

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

**NATIONS MINISTRY CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 341,090	\$ 381,923	\$ 723,013
Grants	152,248	-	152,248
Contributions in-kind	38,600	-	38,600
Program revenue	18,723	-	18,723
Fundraising events	9,040	-	9,040
Interest income	329	-	329
Net assets released from restrictions	<u>308,810</u>	<u>(308,810)</u>	<u>-</u>
Total revenues and other support	<u>868,840</u>	<u>73,113</u>	<u>941,953</u>
Expenses:			
Program services	484,858	-	484,858
Management and general	32,019	-	32,019
Fundraising	<u>18,851</u>	<u>-</u>	<u>18,851</u>
Total expenses	<u>535,728</u>	<u>-</u>	<u>535,728</u>
Increase in net assets	333,112	73,113	406,225
Net assets, beginning of year	<u>351,354</u>	<u>109,250</u>	<u>460,604</u>
Net assets, end of year	<u><u>\$ 684,466</u></u>	<u><u>\$ 182,363</u></u>	<u><u>\$ 866,829</u></u>

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

**NATIONS MINISTRY CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

	<u>Program Services</u>	<u>Management General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 328,708	\$ 11,739	\$ 11,739	\$ 352,186
Payroll taxes	25,067	895	895	26,857
Employee benefits	5,129	641	641	6,411
 Total salaries and benefits	 <u>358,904</u>	 <u>13,275</u>	 <u>13,275</u>	 <u>385,454</u>
 Rent	 \$ 27,064	 \$ 268	 \$ 268	 \$ 27,600
Contract services	12,755	9,152	-	21,907
Office expense and supplies	20,921	307	115	21,343
Travel and transportation	21,138	38	20	21,196
Facilities	15,977	571	571	17,119
Depreciation and amortization	14,481	517	517	15,515
Interest expense	-	6,994	-	6,994
Telephone and internet	3,566	446	446	4,458
Insurance	2,569	289	289	3,147
Community outreach	2,076	-	-	2,076
Postage	506	-	1,561	2,067
Professional development	1,793	-	-	1,793
Payroll expense	1,358	47	47	1,452
Fees and memberships	519	77	769	1,365
Meals	1,061	38	38	1,137
Printing	170	-	935	1,105
	 <u>\$ 484,858</u>	 <u>\$ 32,019</u>	 <u>\$ 18,851</u>	 <u>\$ 535,728</u>

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

**NATIONS MINISTRY CENTER
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

Cash flows from operating activities:	\$ 406,225
Increase in net assets	
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	15,515
Donated vehicle	(11,000)
Increase in accounts receivable	(3,905)
Increase in prepaid expenses	(2,588)
Decrease in pledges receivable	57,900
Decrease in grants receivable	<u>8,890</u>
Net cash provided by operating activities	<u>471,037</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(11,251)</u>
Net cash used in investing activities	<u>(11,251)</u>
Cash flows from financing activities:	
Payment of long-term debt	<u>(289,402)</u>
Net cash used by financing activities	<u>(289,402)</u>
Net increase in cash	170,384
Cash, beginning of year	<u>277,941</u>
Cash, end of year	<u><u>\$ 448,325</u></u>
Supplemental disclosure of cash flow information:	
Interest paid	<u>\$ 6,994</u>
Donated vehicle	<u><u>\$ 11,000</u></u>

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

**NATIONS MINISTRY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

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. Cash and cash equivalents during the year may exceed Federal Deposit Insurance Corporation ("FDIC") limits. The Organization maintains cash balances in banks insured by the Federal Deposit Insurance Corporation up to \$250,000. In the normal course of business, the Organization may have deposits that exceed the insured balance. At June 30, 2018, the Organization had \$198,325 that was uninsured by the Federal Deposit Insurance Corporation.

Pledges Receivables

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, 2018.

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 accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets which are not subject to donor-imposed stipulations.

**NATIONS MINISTRY CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Temporarily restricted net assets – Net assets which are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets which are subject to donor-imposed stipulations that they be maintained permanently. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization had no permanently restricted net assets as of June 30, 2018.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the 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, 2018, the Organization has no donated property or equipment which is restricted.

NATIONS MINISTRY CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials and Services (Continued)

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.

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 revenues 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, 2018, 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 a bank account at one financial institution. The balance, at times, may exceed federally insured limits. The Organization has not experienced any losses in the account. Management believes the Organization is not exposed to any significant credit risk related to cash.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited, as determined by management.

**NATIONS MINISTRY CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

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, 2018, 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, 2018 financial statements.

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2018 are summarized as follows:

Contributions Receivable	\$ 51,350
Less discounts to net present value	-
Less allowance for uncollectible amounts	<u>-</u>
Total	<u><u>\$ 51,350</u></u>

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. The non-current portion was discounted using a 5% annual interest rate to estimate present value. This rate is used in all subsequent periods to update the estimated present value of this pledge as follows:

Due in less than one year	\$ 20,000
Due in one to five years	<u>31,350</u>
Total non-current portion	<u><u>\$ 51,350</u></u>

**NATIONS MINISTRY CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

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, 2018, is as follows:

Building	\$ 214,674
Land	91,218
Vehicles	<u>56,510</u>
	362,402
Less: accumulated depreciation	<u>(39,025)</u>
	<u><u>\$ 323,377</u></u>

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018 were restricted for the following purposes:

Contributions receivable for capital improvements	\$ 51,350
Funds received for capital improvements	<u>131,013</u>
	<u><u>\$ 182,363</u></u>

NOTE 5 - DONATED FACILITIES

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

Contributions in-kind	
Rent	\$ 27,600
Vehicle	<u>11,000</u>
Total contributions in-kind	<u>38,600</u>
Expenses	
Functional expenses:	
Program services	27,064
Management and general	268
Fundraising	<u>268</u>
Total expenses in-kind	<u>27,600</u>
Increase in net assets	<u><u>\$ 11,000</u></u>

September 21, 2018

To the Board of Directors and Management
Nations Ministry Center

In planning and performing our audit of the financial statements of Nations Ministry Center as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Nation Ministry Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Edmondson, Betzler & Dame, PLLC

Edmondson, Betzler & Dame, PLLC

September 21, 2018

To the Board of Directors
Nations Ministry Center

We have audited the financial statements of Nations Ministry Center for the year ended June 30, 2018, and have issued our report thereon dated September 21, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 19, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Nations Ministry Center are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 21, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors of Nations Ministry Center and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Edmondson, Betzler & Dame, PLLC

Edmondson, Betzler & Dame, PLLC

Nations Ministry Center
 Summary of Uncorrected Misstatements
 June 30, 2018

Description	Financial Statement Effect - Amount of Over (Under) Statement of:				
	Statement of Activities		Change in Net Assets	Statement of Financial Position	
	Revenue	Expenses		Assets	Liabilities
Passed adjustments:					
To adjust contributions receivable to present value	1,384	-	1,384	1,384	1,384
To reverse effects of the June 30, 2017 passed adjustments	-	-	-	-	-
Total passed adjustments	1,384	-	1,384	1,384	1,384
Financial statement amounts	941,953	535,728	460,604	866,829	866,829
Impact as a percentage of financial statement amounts	0.15%	0.00%	0.30%	0.16%	0.16%