

NAZARENE COMPASSIONATE MINISTRIES, INC.

FINANCIAL STATEMENTS

**Year Ended September 30, 2018
with
Independent Auditors' Report**

NAZARENE COMPASSIONATE MINISTRIES, INC.

FINANCIAL STATEMENTS

September 30, 2018

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Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Nazarene Compassionate Ministries, Inc.

We have audited the accompanying financial statements of **Nazarene Compassionate Ministries, Inc.** (a Missouri non-profit corporation), which comprise the statement of financial position as of September 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

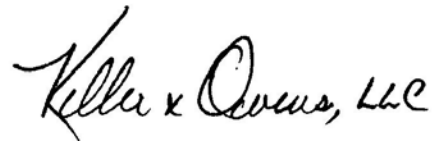
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Nazarene Compassionate Ministries, Inc.** as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Information

We have previously audited the **Nazarene Compassionate Ministries, Inc.**'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 6, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Kella x Owens, LLC". The signature is written in a cursive, flowing style.

Overland Park, Kansas
February 1, 2019

NAZARENE COMPASSIONATE MINISTRIES, INC.

STATEMENT OF FINANCIAL POSITION

September 30, 2018

(With comparative totals as of September 30, 2017)

ASSETS

	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash	\$ 15,938	\$ 41,733
Grants receivable	79,883	110,758
Accounts receivable - affiliate	3,452	8,806
Other receivable	750	-
Pledges receivable, net	41,431	60,245
Inventory	<u>862,483</u>	<u>266,106</u>
Total Current Assets	1,003,937	487,648
Property and Equipment, net	428	2,098
Beneficial Interest in Foundation	<u>4,543</u>	<u>5,057</u>
Total Assets	<u>\$ 1,008,908</u>	<u>\$ 494,803</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 65,685</u>	<u>\$ 110,717</u>
Total Current Liabilities	65,685	110,717
Net Assets:		
Unrestricted	897,249	318,784
Temporarily restricted	<u>45,974</u>	<u>65,302</u>
Total Net Assets	<u>943,223</u>	<u>384,086</u>
Total Liabilities and Net Assets	<u>\$ 1,008,908</u>	<u>\$ 494,803</u>

See accompanying notes

NAZARENE COMPASSIONATE MINISTRIES, INC.

STATEMENT OF ACTIVITIES

Year Ended September 30, 2018

(With comparative totals for the year ended September 30, 2017)

	2018			2017 Total
	Unrestricted	Temporarily Restricted	Total	
Support and Revenue:				
Contributions and grants	\$ 844,636	\$ 59,525	\$ 904,161	\$ 1,285,357
Gifts-in-kind:				
Materials and goods	3,367,776	-	3,367,776	2,096,450
Facilities and services	33,353	-	33,353	27,646
Other income	2,705	-	2,705	1,443
Net assets released from restrictions	<u>49,892</u>	<u>(49,892)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	4,298,362	9,633	4,307,995	3,410,896
Expenses:				
Program services:				
International emergency relief and community development	1,770,515	-	1,770,515	2,062,717
U.S.A. emergency relief and community development	<u>1,858,096</u>	<u>-</u>	<u>1,858,096</u>	<u>1,394,377</u>
Total Program Services	3,628,611	-	3,628,611	3,457,094
Management and general	82,013	-	82,013	77,070
Fundraising	<u>9,273</u>	<u>-</u>	<u>9,273</u>	<u>12,259</u>
Total Expenses	3,719,897	-	3,719,897	3,546,423
Loss on Pledges Receivable	<u>-</u>	<u>28,961</u>	<u>28,961</u>	<u>41,686</u>
Change in Net Assets	578,465	(19,328)	559,137	(177,213)
Net Assets at Beginning of Year	<u>318,784</u>	<u>65,302</u>	<u>384,086</u>	<u>561,299</u>
Net Assets at End of Year	<u>\$ 897,249</u>	<u>\$ 45,974</u>	<u>\$ 943,223</u>	<u>\$ 384,086</u>

See accompanying notes

NAZARENE COMPASSIONATE MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2018

(With comparative totals for the year ended September 30, 2017)

	2018						2017 Total
	Program Services			Management and General	Fundraising	Total	
	International	U.S.A.	Sub-Total				
Donated materials distribution	\$ 924,600	\$ 1,846,799	\$ 2,771,399	\$ -	\$ -	\$ 2,771,399	\$ 2,225,853
Relief and community development	389,549	600	390,149	-	-	390,149	724,148
Donated facilities and services	10,763	-	10,763	22,590	-	33,353	27,646
Salaries and payroll taxes	264,250	6,997	271,247	37,130	2,163	310,540	315,187
Consultants	-	-	-	-	-	-	5,139
Employee benefits	81,787	1,583	83,370	8,754	492	92,616	86,918
Meetings and conferences	5,251	146	5,397	809	46	6,252	6,141
Rent	10,234	505	10,739	2,806	158	13,703	13,703
Supplies	5,045	95	5,140	1,537	30	6,707	3,309
Travel	47,474	70	47,544	390	22	47,956	63,251
Telephone	5,262	155	5,417	860	48	6,325	5,552
Professional fees	20,246	849	21,095	4,817	6,220	32,132	42,974
Publications and printing	10	-	10	3	-	13	6,915
Insurance	2,331	115	2,446	614	36	3,096	3,461
Depreciation	-	-	-	663	-	663	1,861
Postage	177	8	185	70	3	258	785
Maintenance	-	-	-	-	-	-	639
Board expenses	2,256	111	2,367	619	35	3,021	10,996
Bank service charges	1,280	63	1,343	351	20	1,714	1,945
	<u>\$ 1,770,515</u>	<u>\$ 1,858,096</u>	<u>\$ 3,628,611</u>	<u>\$ 82,013</u>	<u>\$ 9,273</u>	<u>\$ 3,719,897</u>	<u>\$ 3,546,423</u>
Total Expenses Before Loss	<u>\$ 1,770,515</u>	<u>\$ 1,858,096</u>	<u>\$ 3,628,611</u>	<u>\$ 82,013</u>	<u>\$ 9,273</u>	<u>\$ 3,719,897</u>	<u>\$ 3,546,423</u>

See accompanying notes

NAZARENE COMPASSIONATE MINISTRIES, INC.

STATEMENT OF CASH FLOWS

Year Ended September 30, 2018

(With comparative totals for the year ended September 30, 2017)

	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	\$ 559,137	\$ (177,213)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	663	1,861
Loss on pledges receivable	28,961	41,686
Unrealized (gain)/loss on beneficial interest in foundation	514	(330)
(Increase) decrease in:		
Accounts and grants receivable	35,479	(64,878)
Pledges receivable	(10,147)	(28,903)
Inventory	(596,377)	129,403
Prepaid expenses	-	122
(Decrease) increase in:		
Accounts payable and accrued liabilities	(45,031)	97,797
Grant advances	-	(3,229)
Pass-thru contributions	-	(35,824)
Net Cash Used by Operating Activities	(26,801)	(39,508)
Cash Flows from Investing Activities:		
Proceeds from sales	1,006	-
Purchase of property and equipment	-	(1,395)
Net Cash Provided (Used) by Investing Activities	1,006	(1,395)
Net Decrease in Cash	(25,795)	(40,903)
Cash at Beginning of Year	41,733	82,636
Cash at End of Year	\$ 15,938	\$ 41,733

See accompanying notes

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Nazarene Compassionate Ministries, Inc. (the “Organization”) is a non-profit organization incorporated in the state of Missouri in 1990. The Organization provides assistance in the United States and throughout the world to economically disadvantaged people. This assistance includes emergency relief, social transformation assistance emphasizing long-term solutions to human needs, and educational services to poverty-stricken individuals and disaster victims by helping them develop skills and resources needed to achieve health and self-sufficiency.

The Organization receives support from the General Board of the Church of the Nazarene, Inc. (the “Church”), a Missouri non-profit corporation, as well as from non-denominational resources.

Accounts and grants receivable – Accounts and grants receivable are due from its contributors and from its grant agencies. These receivables are generally expected to be collected within one year and are stated at amounts due. Accounts outstanding longer than their contractual payment terms are considered past due. The Organization reviews accounts monthly to determine if any receivables are uncollectible and a reserve required. The Organization considers accounts and grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. Any payments subsequently received on such receivables are credited to operations. No collateral is required.

Pledges receivable - Unconditional promises to give are generally expected to be collected within one year and are recorded at net realizable value. Pledges receivable are stated net of an allowance for uncollectible pledges. The Organization estimates the allowance based on its historical experience of the relationship between actual collections and net amounts pledged. Conditional promises to give are not included as revenue until the conditions are substantially met.

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting.

Basis of presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in FASB Accounting Standards Codification (ASC) 958, which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted net assets at September 30, 2018 and 2017.

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash – For purposes of the statement of cash flows, cash consists of cash on hand and in interest-bearing checking accounts subject to minimal withdrawal restrictions.

Comparative financial information – The financial statements include certain prior year summarized comparative information in total but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended September 30, 2017, from which the summarized information was derived.

Functional expenses - The cost of providing various program and supporting services has been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the projects and supporting services benefited.

Gifts-in-kind and contributed services – The financial statements reflect the value of medical equipment, medical supplies, clothing, and other items received and distributed to recipients in need of assistance. Their value is determined by estimating the fair value at the date of receipt. In addition, the Organization received the free use of warehouse space from other organizations for storage of inventory. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets, or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization follows FASB ASC 958-720 *Services Received from the Personnel of an Affiliate* for recording donated services provided by an affiliate. Donated services provided by an affiliate will be valued by the cost of services recorded by the affiliate. The actual benefit received or the fair value of these items has been reflected in the statement of activities as gifts-in-kind: facilities and services.

Income taxes - The Organization is a non-profit corporation exempt from federal income taxes, except on unrelated business income, if any, under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the code. Among other things, the Organization is exempt from income, FUTA, and state and local real estate taxes.

In accordance with FASB ASC 740-10 *Income Taxes*, the Organization’s policy is to record a liability for any tax position that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of September 30, 2018, and, accordingly, no liability has been accrued.

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory - Inventory consists of crisis care kits, which include toiletries and other small sundry items, and school pal packs, which include school supplies. Inventories are stated at fair value at date usability is determined.

Property and equipment - Property and equipment over a nominal amount are recorded at cost at the date of acquisition or fair value at date of donation, in the case of gift. Maintenance and repairs are charged to expense as incurred. When items of property or equipment are sold or retired, the related cost is removed from the accounts and any gain or loss is included in the results of operations. Depreciation is provided over the estimated useful lives of the respective assets on the straight-line basis. Lives for depreciation are as follows:

Furniture and equipment	2 -7 years
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Contributions and grants - Contributions received are recorded as unrestricted or temporarily restricted support and revenue based on the existence of any donor restrictions. Amounts received without donor stipulations are recorded as unrestricted support and revenue. When the expenses are disbursed for their designated purpose, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Gifts of land, buildings, equipment and other long-lived assets are also reported as unrestricted revenue and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

The federal grants received are reimbursement grants. The revenue is recognized when the related expenses are incurred.

Subsequent events – Management has evaluated events and transactions that have occurred since September 30, 2018, and reflected their effects, if any, in these financial statements through February 1, 2019 the date the financial statements were available to be issued.

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 that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

2. FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES

The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 – inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 – inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded or other external independent means;
- Level 3 – inputs are unobservable and reflect assumptions on the part of the reporting entity.

The following table sets forth information about the level within the fair value hierarchy at which the Organization's financial assets and liabilities are measured on a recurring basis at September 30, 2018:

	<u>Level 3</u>	<u>Total</u>
Beneficial interest in foundation	\$ 4,543	\$ 4,543
Total	<u>\$ 4,543</u>	<u>\$ 4,543</u>

The following table sets forth information about the level within the fair value hierarchy at which the Organization's financial assets and liabilities are measured on a recurring basis at September 30, 2017:

	<u>Level 3</u>	<u>Total</u>
Beneficial interest in foundation	\$ 5,057	\$ 5,057
Total	<u>\$ 5,057</u>	<u>\$ 5,057</u>

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

2. FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES (continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) include beneficial interest in foundation at September 30, 2018:

September 30, 2017		\$	5,057
Unrealized loss			(514)
September 30, 2018		\$	<u>4,543</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) include beneficial interest in foundation at September 30, 2017:

September 30, 2016		\$	4,727
Unrealized gain			330
September 30, 2017		\$	<u>5,057</u>

The fair values for Level 3 assets were valued using a market approach and were determined as follows:

- The fair value of the beneficial interest in foundation is based primarily upon the net asset value determined by the trustee of the beneficial interest. Beneficial interest in foundation is not immediately redeemable in the near future.

The carrying amounts of financial instruments including cash, accounts and grants receivable, pledges receivable, accounts payable and accrued liabilities, grant advances, and pass-thru contributions approximated fair value as of September 30, 2018 and 2017, due to their short-term nature.

3. GRANTS RECEIVABLE

Grants receivable consisted of the following at September 30:

	<u>2018</u>		<u>2017</u>
U.S. Department of Justice	\$ -		\$ 61,600
U.S. Dept. of Health and Human Services (pass-through from Columbia University)	<u>79,883</u>		<u>49,158</u>
Grants Receivable	<u>\$ 79,883</u>		<u>\$ 110,758</u>

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

4. PLEDGES RECEIVABLE

	2018	2017
Unconditional pledges expected to be collected in:		
Less than one year	\$ 97,754	\$ 117,203
Less allowance for uncollectible pledges	(56,323)	(56,958)
Pledges Receivable, net	\$ 41,431	\$ 60,245

5. PROPERTY AND EQUIPMENT

Property and equipment is described in Note 1 and includes the following:

Furniture and equipment:		
U.S.A.	\$ 6,138	\$ 8,927
	6,138	8,927
Less accumulated depreciation	(5,710)	(6,829)
Property and Equipment, net	\$ 428	\$ 2,098

Depreciation expense amounts to \$663 and \$1,861 for the years ended September 30, 2018 and 2017, respectively.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of the following:

Time restrictions – pledges receivable	\$ 41,431	\$ 60,245
Time restrictions – beneficial interest in foundation	4,543	5,057
Total Temporarily Restricted Net Assets	\$ 45,974	\$ 65,302

Per provisions of FASB ASC 958 regarding expiration of donor restrictions, the following activities were incurred which satisfied the restricted purpose or occurrence of events specified by donors:

Time restrictions – pledges receivable	\$ 49,892	\$ 155,220
International projects	-	99,767
Net Assets Released from Restrictions	\$ 49,892	\$ 254,987

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

7. EMPLOYEE BENEFIT PLANS

The Organization participates in a defined contribution pension plan sponsored by the Church. All employees are eligible to participate in the plan. Employer contributions are made for all full-time employees up to 6% of eligible compensation. Employer contributions to this plan totaled \$12,135 and \$21,422 for the year ended September 30, 2018 and 2017, respectively.

8. CONCENTRATION OF RISK

The Organization's financial instruments that are exposed to a concentration of risk consist primarily of pledges receivable and accounts and grants receivable. It routinely assesses the financial strength of its receivables and, as a consequence, believes its credit risk exposure is limited.

During 2018, approximately 5% of total support and revenue and 25% of the total monetary contributions and grants revenue were received from grants from the United States Government. 95% of the accounts receivable balance is related to grants or pass-thru grants from the United States Government.

During 2017, approximately 26% of total support and revenue and 70% of the total monetary contributions and grants revenue were received from grants from the United States Government. 93% of the accounts receivable balance is related to grants or pass-thru grants from the United States Government.

9. RELATED PARTIES

Board of Directors - Members of the Board of Directors of the Organization are approved by the Church, the sole member of the Organization.

Grants – In 2018, the Organization received funding from the Church for shipping donated products to relief areas in the amount of \$117,555, for a capacity development newsletter project in the amount of \$36,000, for a capacity development grant in the amount of \$50,000, and \$262,662 for other projects and cost reimbursements. Included in accounts and grants receivable is \$3,452 due from the Church.

In 2017, the Organization received funding from the Church for shipping donated products to relief areas in the amount of \$123,443, for a capacity development newsletter project in the amount of \$50,000, and \$115,406 for other projects and cost reimbursements. Included in accounts and grants receivable is \$8,806 due from the Church.

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

9. RELATED PARTIES (continued)

Administration - The Church provides certain non-compensatory administrative services to the Organization. The value of the administrative salaries was \$22,590 for 2018 and 2017. This was included in gifts-in-kind: facilities and services on the accompanying statement of activities.

Lease – The Organization signed a yearly periodic tenancy lease for office space with the Church. Monthly rental payments of \$1,142 are required. Total rental payments for 2018 and 2017 were \$13,704.

10. NEW ACCOUNTING PRONOUNCEMENTS

ASU 2018-08, Not-for-Profit Entities

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU are to be applied on a modified prospective basis. Retrospective application is permitted. For transactions in which the entity serves as the resource recipient, the amendments should be applied for fiscal years beginning after December 15, 2018. For transactions in which the entity serves as the resource provider, the amendments should be applied for fiscal years beginning after December 15, 2019. Early adoption is permitted.

ASU 2014-09, Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which deferred the effective date of the new revenue recognition standard for one year. The new standard is effective for fiscal years beginning after December 15, 2018. Early application is permitted.

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

10. NEW ACCOUNTING PRONOUNCEMENTS (continued)

ASU 2016-02, Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this ASU are to be applied using a modified retrospective approach. The amendments are effective for annual financial statements issued for fiscal years beginning after December 15, 2019, with early adoption permitted.

The Organization is evaluating the effect that these standards will have on its financial statements and related disclosures.

11. SUBSEQUENT EVENT

In January 2019, the Organization received a \$240,000 grant from the Church to fund three projects. The grant is payable in quarterly installments based on the Organization's cash flow needs. The Organization received \$120,000 in January 2019. This payment covered the first two quarters of the year ended September 30, 2019.