

NAZARENE COMPASSIONATE MINISTRIES, INC.

FINANCIAL STATEMENTS

**Year Ended September 30, 2019
with
Independent Auditors' Report**

NAZARENE COMPASSIONATE MINISTRIES, INC.

FINANCIAL STATEMENTS

September 30, 2019

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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, 2019, 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

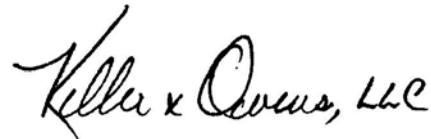
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Nazarene Compassionate Ministries, Inc.** as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2019, **Nazarene Compassionate Ministries, Inc.** adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This has had a material effect on the presentation of the financial statements for the years ended September 30, 2019. Our opinion is not modified with respect to this matter.

Report on Summarized Information

We have previously audited the **Nazarene Compassionate Ministries, Inc.**’s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 1, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Keller & Owens, LLC".

Overland Park, Kansas
February 6, 2020

NAZARENE COMPASSIONATE MINISTRIES, INC.

STATEMENT OF FINANCIAL POSITION

September 30, 2019

(With comparative totals as of September 30, 2018)

ASSETS

	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash	\$ 70,084	\$ 15,938
Grants receivable	32,843	79,883
Accounts receivable - affiliate	32,310	3,452
Other receivable	30	750
Pledges receivable, net	34,634	41,431
Inventory	<u>526,187</u>	<u>862,483</u>
Total Current Assets	696,088	1,003,937
Property and Equipment, net	676	428
Beneficial Interest in Foundation	<u>4,684</u>	<u>4,543</u>
Total Assets	<u>\$ 701,448</u>	<u>\$ 1,008,908</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued liabilities	\$ <u>119,718</u>	\$ <u>65,685</u>
Total Current Liabilities	119,718	65,685
Net Assets:		
Without donor restrictions	542,412	897,249
With donor restrictions	<u>39,318</u>	<u>45,974</u>
Total Net Assets	<u>581,730</u>	<u>943,223</u>
Total Liabilities and Net Assets	<u>\$ 701,448</u>	<u>\$ 1,008,908</u>

See accompanying notes

NAZARENE COMPASSIONATE MINISTRIES, INC.

STATEMENT OF ACTIVITIES

Year Ended September 30, 2019

(With comparative totals for the year ended September 30, 2018)

	2019		Total	2018 Total
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		
Support and Revenue:				
Contributions and grants	\$ 696,186	\$ 54,365	\$ 750,551	904,161
Gifts-in-kind:				
Materials and goods	1,241,346	-	1,241,346	3,367,776
Facilities and services	34,995	-	34,995	33,353
Other income	-	-	-	2,705
Net assets released from restrictions	<u>41,940</u>	<u>(41,940)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	2,014,467	12,425	2,026,892	4,307,995
Expenses:				
Program services:				
International emergency relief and community development	1,197,195	-	1,197,195	1,770,515
U.S.A. emergency relief and community development	<u>1,098,115</u>	<u>-</u>	<u>1,098,115</u>	<u>1,858,096</u>
Total Program Services	2,295,310	-	2,295,310	3,628,611
Management and general	68,854	-	68,854	82,013
Fundraising	<u>5,140</u>	<u>-</u>	<u>5,140</u>	<u>9,273</u>
Total Expenses	2,369,304	-	2,369,304	3,719,897
Loss on Pledges Receivable	<u>-</u>	<u>19,081</u>	<u>19,081</u>	<u>28,961</u>
Change in Net Assets	(354,837)	(6,656)	(361,493)	559,137
Net Assets at Beginning of Year	<u>897,249</u>	<u>45,974</u>	<u>943,223</u>	<u>384,086</u>
Net Assets at End of Year	<u>\$ 542,412</u>	<u>\$ 39,318</u>	<u>\$ 581,730</u>	<u>\$ 943,223</u>

See accompanying notes

NAZARENE COMPASSIONATE MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2019

(With comparative totals for the year ended September 30, 2018)

	2019						2018 Total
	Program Services			Management and General	Fundraising	Total	
	International	U.S.A.	Sub-Total				
Donated materials distribution	\$ 524,128	\$ 1,053,514	\$ 1,577,642	\$ -	\$ -	\$ 1,577,642	\$ 2,771,399
Relief and community development	276,612	-	276,612	-	-	276,612	390,149
Salaries and payroll taxes	216,042	21,535	237,577	25,437	789	263,803	310,540
Employee benefits	76,140	5,564	81,704	6,568	204	88,476	92,616
Travel	51,106	6,905	58,011	1,074	33	59,118	47,956
Professional fees	10,135	4,602	14,737	3,071	3,895	21,703	32,132
Rent	8,687	2,263	10,950	2,672	83	13,705	13,703
Meetings and conferences	11,520	828	12,348	937	30	13,315	6,252
Donated facilities and services	9,327	-	9,327	25,668	-	34,995	33,353
Telephone	4,169	740	4,909	873	27	5,809	6,325
Insurance	3,220	839	4,059	990	31	5,080	3,096
Supplies	2,585	432	3,017	510	16	3,543	6,707
Board expenses	2,052	535	2,587	631	20	3,238	3,021
Bank service charges	1,010	237	1,247	280	9	1,536	1,714
Depreciation	223	58	281	69	2	352	663
Postage	67	18	85	21	1	107	258
Publications and printing	-	-	-	-	-	-	13
Miscellaneous	172	45	217	53	-	270	-
	<u>\$ 1,197,195</u>	<u>\$ 1,098,115</u>	<u>\$ 2,295,310</u>	<u>\$ 68,854</u>	<u>\$ 5,140</u>	<u>\$ 2,369,304</u>	<u>\$ 3,719,897</u>
Total Expenses Before Loss							

See accompanying notes

NAZARENE COMPASSIONATE MINISTRIES, INC.

STATEMENT OF CASH FLOWS

Year Ended September 30, 2019

(With comparative totals for the year ended September 30, 2018)

	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	\$ (361,493)	\$ 559,137
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	352	663
Allowance for Uncollectible Pledge Receivable		
Loss on pledges receivable	19,081	28,961
Unrealized (gain)/loss on beneficial interest in foundation	(141)	514
(Increase) decrease in:		
Accounts and grants receivable	18,902	35,479
Pledges receivable	(12,284)	(10,147)
Inventory	336,296	(596,377)
Increase (decrease) in:		
Accounts payable and accrued liabilities	54,033	(45,031)
Net Cash Provided (Used) by Operating Activities	54,746	(26,801)
Cash Flows from Investing Activities:		
Proceeds from sales	-	1,006
Purchase of property and equipment	(600)	-
Net Cash (Used) Provided by Investing Activities	(600)	1,006
Net Increase (Decrease) in Cash	54,146	(25,795)
Cash at Beginning of Year	15,938	41,733
Cash at End of Year	\$ 70,084	\$ 15,938

See accompanying notes

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

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.

Basis of Accounting and Presentation – The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

In order to observe restrictions which donors place on grants and other gifts, as well as designations made by the Board of Directors, all assets, liabilities and support and revenue are accounted for in the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

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.

Change in Accounting Principle – During the year ended September 30, 2019, the Organization adopted the provisions of FASB ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This ASU amends the current reporting model for not-for-profit organizations and enhances their required disclosures. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new quantitative and qualitative disclosures are added regarding the liquidity and availability of resources; Board-designated net assets are listed by purpose; investment returns are reported net of related expenses; and the methodology and allocation information related to the functional allocation of expenses is expanded. The basic financial statements are further affected by the elimination of the requirement for a statement of cash flows using the direct method to also require an indirect reconciliation of operating cash flows. The Organization has adjusted the presentation of these statements accordingly, applying ASU 2016-14 retrospectively to all periods presented.

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, 2018, from which the summarized information was derived.

Functional expenses - The Organization allocates expense on a functional basis among the various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management’s estimate of resources devoted to the program or support service, requiring allocation on a reasonable basis that is consistently applied. Donated materials distribution and relief and community development are directly allocated to their natural expenditure classification. The remaining expenses are allocated on the basis of estimates of time and effort as determined by the labor distribution reports.

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

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

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, 2019, and, accordingly, no liability has been accrued.

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.

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.

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

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

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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Gifts of land, buildings, equipment and other long-lived assets are also reported as net assets without restrictions, 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 net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Revenue Recognition – Revenue is recognized when earned. Government grants are recognized primarily under cost-reimbursable contracts in the applicable period in which the underlying expenditures are incurred.

Subsequent events – Management has evaluated events and transactions that have occurred since September 30, 2019, and reflected their effects, if any, in these financial statements through February 6, 2020 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, 2019

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following represents the Organization's financial assets available for general expenditures within one year as of September 30:

	<u>2019</u>	<u>2018</u>
Financial assets at period end:		
Cash	\$ 70,084	\$ 15,938
Grants receivable	32,843	79,883
Accounts receivable – affiliate	32,310	3,452
Other receivable	30	750
Pledge receivable, net	<u>34,634</u>	<u>41,431</u>
Total financial assets	169,901	141,454
Amounts not available to be used within one year:		
Donor-restricted for long-term purposes	<u>(34,634)</u>	<u>(41,431)</u>
Total financial assets not available to be used within one year	<u>(34,634)</u>	<u>(41,431)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 135,267</u>	<u>\$ 100,023</u>

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced operating budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted sources.

3. 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:

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

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

- 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, 2019:

	Level 3	Total
Beneficial interest in foundation	\$ 4,684	\$ 4,684
Total	\$ 4,684	\$ 4,684

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:

	Level 3	Total
Beneficial interest in foundation	\$ 4,543	\$ 4,543
Total	\$ 4,543	\$ 4,543

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) include beneficial interest in foundation at September 30, 2019:

September 30, 2018	\$ 4,543
Unrealized gain	141
September 30, 2019	\$ 4,684

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

3. 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>

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, 2019 and 2018, due to their short-term nature.

4. GRANTS RECEIVABLE

Grants receivable consisted of the following at September 30:

	<u>2019</u>	<u>2018</u>
U.S. Dept. of Health and Human Services (pass-through from Columbia University)	\$ <u>32,843</u>	\$ <u>79,883</u>
Grants Receivable	\$ <u>32,843</u>	\$ <u>79,883</u>

5. PLEDGES RECEIVABLE

Unconditional pledges expected to be collected in:

Less than one year	\$ 70,216	\$ 97,754
Less allowance for uncollectible pledges	<u>(35,582)</u>	<u>(56,323)</u>
Pledges Receivable, net	<u>\$ 34,634</u>	<u>\$ 41,431</u>

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

6. PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Furniture and equipment:		
U.S.A.	\$ 6,738	\$ 6,138
	6,738	6,138
Less accumulated depreciation	<u>(6,062)</u>	<u>(5,710)</u>
Property and Equipment, net	<u>\$ 676</u>	<u>\$ 428</u>

Depreciation expense amounts to \$352 and \$663 for the years ended September 30, 2019 and 2018, respectively.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

Time restrictions – pledges receivable	\$ 34,634	\$ 41,431
Time restrictions – beneficial interest in foundation	<u>4,684</u>	<u>4,543</u>
Total Net Assets With Restrictions	<u>\$ 39,318</u>	<u>\$ 45,974</u>

The sources of net assets released from net assets with donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors were as follows for the years ended December 31:

Time restrictions – pledges receivable	\$ 41,940	\$ 49,982
Net Assets Released from Restrictions	<u>\$ 41,940</u>	<u>\$ 49,892</u>

8. 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 \$10,790 and \$12,135 for the year ended September 30, 2019 and 2018, respectively.

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

9. 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. The Organization routinely assesses the financial strength of its receivables and, as a consequence, believes its credit risk exposure is limited.

During 2019, approximately 11% of total support and revenue and 28% of the total monetary contributions and grants revenue were received from grants from the United States Government. 50% of the accounts receivable balance is related to grants or pass-thru grants from the United States Government.

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.

10. 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 2019, the Organization received funding from the Church for shipping donated products to relief areas in the amount of \$59,010, for a capacity development project in the amount of \$36,000, and for program grant in the amount of \$240,000. Included in accounts and grants receivable is \$32,309 due from the Church.

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.

Administration - The Church provides certain non-compensatory administrative services to the Organization. The value of the administrative salaries was \$25,668 and \$22,590 for 2019 and 2018, respectively. 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 2019 and 2018 were \$13,705.

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

11. 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.

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.

In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, which deferred the effective date of the new lease standard for one year for non-public entities. The new standard is effective for fiscal years beginning after December 15, 2020. Early application continues to be allowed.

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