

NAZARENE COMPASSIONATE MINISTRIES, INC.

FINANCIAL STATEMENTS

**Year Ended September 30, 2020
with
Independent Auditors' Report**

NAZARENE COMPASSIONATE MINISTRIES, INC.

FINANCIAL STATEMENTS

September 30, 2020

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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.**, which comprise the statement of financial position as of September 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 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

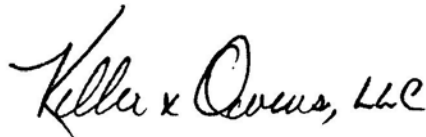
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Nazarene Compassionate Ministries, Inc.** as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, for the fiscal year ended September 30, 2020, **Nazarene Compassionate Ministries, Inc.** adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08, *Clarifying the Scope and Accounting Guidance from Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Report on Summarized Information

We have previously audited the **Nazarene Compassionate Ministries, Inc.’s** 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 6, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Overland Park, Kansas
January 25, 2021

NAZARENE COMPASSIONATE MINISTRIES, INC.

STATEMENT OF FINANCIAL POSITION

September 30, 2020

(With comparative totals as of September 30, 2019)

ASSETS

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|-------------------|-------------------|
| Current Assets: | | |
| Cash | \$ 72,140 | \$ 70,084 |
| Grants receivable | 3,067 | 32,843 |
| Accounts receivable - affiliate | 13,598 | 32,310 |
| Other receivable | - | 30 |
| Pledges receivable, net | 39,334 | 34,634 |
| Inventory | <u>166,712</u> | <u>526,187</u> |
| Total Current Assets | 294,851 | 696,088 |
| Property and Equipment, net | 2,299 | 676 |
| Beneficial Interest in Foundation | <u>4,763</u> | <u>4,684</u> |
| Total Assets | <u>\$ 301,913</u> | <u>\$ 701,448</u> |

LIABILITIES AND NET ASSETS

| | | |
|--|-------------------|-------------------|
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | \$ <u>9,739</u> | \$ <u>119,718</u> |
| | 3 9,739 | 119,718 |
| Net Assets: | | |
| Without donor restrictions | 248,077 | 542,412 |
| With donor restrictions | <u>44,097</u> | <u>39,318</u> |
| Total Net Assets | <u>292,174</u> | <u>581,730</u> |
| Total Liabilities and Net Assets | <u>\$ 301,913</u> | <u>\$ 701,448</u> |

See accompanying notes

NAZARENE COMPASSIONATE MINISTRIES, INC.

STATEMENT OF ACTIVITIES

Year Ended September 30, 2020

(With comparative totals for the year ended September 30, 2019)

| | 2020 | | Total | 2019 Total |
|--|---|--|------------|---------------|
| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | | |
| Support and Revenue: | | | | |
| Contributions and grants | \$ 794,635 | \$ 49,356 | \$ 843,991 | \$ 750,551 |
| Gifts-in-kind: | | | | |
| Materials and goods | 719,115 | - | 719,115 | 1,241,346 |
| Facilities and services | 32,796 | - | 32,796 | 34,995 |
| Net assets released from restrictions | 29,862 | (29,862) | - | - |
| Total Support and Revenue | 1,576,408 | 19,494 | 1,595,902 | 2,026,892 |
| Expenses: | | | | |
| Program services: | | | | |
| International emergency relief and community development | 1,069,283 | - | 1,069,283 | 1,197,195 |
| U.S.A. emergency relief and community development | 732,048 | - | 732,048 | 1,098,115 |
| Total Program Services | 1,801,331 | - | 1,801,331 | 2,295,310 |
| Management and general | 64,703 | - | 64,703 | 68,854 |
| Fundraising | 4,709 | - | 4,709 | 5,140 |
| Total Expenses | 1,870,743 | - | 1,870,743 | 2,369,304 |
| Loss on Pledges Receivable | - | 14,715 | 14,715 | 19,081 |
| Change in Net Assets | (294,335) | 4,779 | (289,556) | (361,493) |
| Net Assets at Beginning of Year | 542,412 | 39,318 | 581,730 | 943,223 |
| Net Assets at End of Year | \$ 248,077 | \$ 44,097 | \$ 292,174 | \$ 581,730 |

See accompanying notes

NAZARENE COMPASSIONATE MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2020

(With comparative totals for the year ended September 30, 2019)

| | 2020 | | | | | | 2019 Total |
|-------------------------------------|---------------------|-------------------|---------------------|---------------------------|-----------------|---------------------|---------------------|
| | Program Services | | | Management and General | Fundraising | Total | |
| | International | U.S.A. | Sub-Total | | | | |
| Donated materials distribution | \$ 374,584 | \$ 704,006 | \$ 1,078,590 | \$ - | \$ - | \$ 1,078,590 | \$ 1,577,642 |
| Relief and community development | 302,563 | - | 302,563 | - | - | 302,563 | 276,612 |
| Salaries and payroll taxes | 231,749 | 16,055 | 247,804 | 22,691 | 550 | 271,045 | 263,803 |
| Employee benefits | 83,155 | 2,011 | 85,166 | 3,588 | 69 | 88,823 | 88,476 |
| Donated facilities and services | 6,336 | - | 6,336 | 26,460 | - | 32,796 | 34,995 |
| Professional fees | 13,043 | 3,541 | 16,584 | 4,984 | 3,921 | 25,489 | 21,703 |
| Travel | 25,277 | 33 | 25,310 | 77 | 1 | 25,388 | 59,118 |
| Rent | 8,186 | 2,259 | 10,445 | 3,182 | 77 | 13,704 | 13,705 |
| Meetings and conferences | 8,826 | 1,958 | 10,784 | 644 | 16 | 11,444 | 13,315 |
| Insurance | 3,311 | 914 | 4,225 | 1,286 | 31 | 5,542 | 5,080 |
| Telephone | 3,643 | 403 | 4,046 | 568 | 14 | 4,628 | 5,809 |
| Supplies | 3,006 | 201 | 3,207 | 283 | 7 | 3,497 | 3,543 |
| Publications and printing | 2,132 | - | 2,132 | - | - | 2,132 | - |
| Bank service charges | 1,114 | 252 | 1,366 | 355 | 9 | 1,730 | 1,536 |
| Board expenses | 922 | 254 | 1,176 | 358 | 9 | 1,543 | 3,238 |
| Depreciation | 474 | 131 | 605 | 184 | 4 | 793 | 352 |
| Maintenance | 549 | - | 549 | - | - | 549 | - |
| Postage | 407 | 30 | 437 | 43 | 1 | 481 | 107 |
| Miscellaneous | 6 | - | 6 | - | - | 6 | 270 |
| | <u>\$ 1,069,283</u> | <u>\$ 732,048</u> | <u>\$ 1,801,331</u> | <u>\$ 64,703</u> | <u>\$ 4,709</u> | <u>\$ 1,870,743</u> | <u>\$ 2,369,304</u> |
| Total Expenses Before Loss | <u>\$ 1,069,283</u> | <u>\$ 732,048</u> | <u>\$ 1,801,331</u> | <u>\$ 64,703</u> | <u>\$ 4,709</u> | <u>\$ 1,870,743</u> | <u>\$ 2,369,304</u> |

See accompanying notes

NAZARENE COMPASSIONATE MINISTRIES, INC.

STATEMENT OF CASH FLOWS

Year Ended September 30, 2020

(With comparative totals for the year ended September 30, 2019)

| | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|
| Cash Flows from Operating Activities: | | |
| Change in net assets | \$ (289,556) | \$ (361,493) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 793 | 352 |
| Allowance for Uncollectible Pledge Receivable | | |
| Loss on pledges receivable | 14,715 | 19,081 |
| Unrealized gain on beneficial interest in foundation | (79) | (141) |
| (Increase) decrease in: | | |
| Accounts and grants receivable | 48,518 | 18,902 |
| Pledges receivable | (19,415) | (12,284) |
| Inventory | 359,475 | 336,296 |
| Increase (decrease) in: | | |
| Accounts payable and accrued liabilities | <u>(109,979)</u> | <u>54,033</u> |
| Net Cash Provided by Operating Activities | 4,472 | 54,746 |
| Cash Flows from Investing Activities: | | |
| Purchase of property and equipment | <u>(2,416)</u> | <u>(600)</u> |
| Net Cash Used by Investing Activities | <u>(2,416)</u> | <u>(600)</u> |
| Net Increase in Cash | 2,056 | 54,146 |
| Cash at Beginning of Year | <u>70,084</u> | <u>15,938</u> |
| Cash at End of Year | <u>\$ 72,140</u> | <u>\$ 70,084</u> |

See accompanying notes

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

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, 2020

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 – In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09 *Revenue from Contracts with Customers (Topic 606)* which, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly, utilizing the modified retrospective method of transition, with no cumulative-effect adjustment to net assets.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there was no effect on net assets in connection with the Organization’s implementation of ASU 2018-08.

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, 2019, from which the summarized information was derived.

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, 2020

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

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.

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, 2020, 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.

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

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

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.

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 |
|-------------------------|------------|

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 – The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Government grant revenues are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. The Organization adopted the simultaneous release option for donor-restricted conditional grants that are recognized and used within the same reporting period; therefore, these amounts are reported as without donor restriction.

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

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

Subsequent events – Management has evaluated events and transactions that have occurred since September 30, 2020, and reflected their effects, if any, in these financial statements through January 25, 2021 the date the financial statements were available to be issued.

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>2020</u> | <u>2019</u> |
|---|------------------|-------------------|
| Financial assets at period end: | | |
| Cash | \$ 72,140 | \$ 70,084 |
| Grants receivable | 3,067 | 32,843 |
| Accounts receivable – affiliate | 13,598 | 32,310 |
| Other receivable | - | 30 |
| Pledge receivable, net | <u>39,334</u> | <u>34,634</u> |
| Total financial assets | 128,139 | 169,901 |
| Amounts not available to be used within one year: | | |
| Donor-restricted for long-term purposes | <u>(39,334)</u> | <u>(34,634)</u> |
| Total financial assets not available to be used within one year | <u>(39,334)</u> | <u>(34,634)</u> |
| Financial Assets Available to Meet General Expenditures within One Year | <u>\$ 88,805</u> | <u>\$ 135,267</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.

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

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:

- 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, 2020:

| | <u>Level 3</u> | <u>Total</u> |
|---------------------------------------|-----------------|-----------------|
| Beneficial interest at the foundation | \$ 4,763 | \$ 4,763 |
| Total | <u>\$ 4,763</u> | <u>\$ 4,763</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, 2019:

| | <u>Level 3</u> | <u>Total</u> |
|---------------------------------------|-----------------|-----------------|
| Beneficial interest at the foundation | \$ 4,684 | \$ 4,684 |
| Total | <u>\$ 4,684</u> | <u>\$ 4,684</u> |

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

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 at the foundation at September 30, 2020:

| | | |
|--------------------|----|------------------------|
| September 30, 2019 | \$ | 4,684 |
| Unrealized gain | | <u>79</u> |
| September 30, 2020 | | <u><u>\$ 4,763</u></u> |

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

| | | |
|--------------------|----|------------------------|
| September 30, 2018 | \$ | 4,543 |
| Unrealized gain | | <u>141</u> |
| September 30, 2019 | | <u><u>\$ 4,684</u></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 at the 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, 2020 and 2019, due to their short-term nature.

4. GRANTS RECEIVABLE

Grants receivable consisted of the following at September 30:

| | <u>2020</u> | <u>2019</u> |
|--|------------------------|-------------------------|
| U.S. Dept. of Health and Human Services (pass-through from Columbia University) | <u>\$ 3,067</u> | <u>\$ 32,843</u> |
| Grants Receivable | <u><u>\$ 3,067</u></u> | <u><u>\$ 32,843</u></u> |

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

5. PLEDGES RECEIVABLE

Unconditional pledges expected to be collected in:

| | | |
|--|------------------|------------------|
| Less than one year | \$ 89,765 | \$ 70,216 |
| Less allowance for uncollectible pledges | <u>(50,431)</u> | <u>(35,582)</u> |
| Pledges Receivable, net | <u>\$ 39,334</u> | <u>\$ 34,634</u> |

Conditional promises to give consisted of the following at September 30:

| | | |
|---|------------------|-------------|
| Collected and unspent (refundable advances) | \$ - | \$ - |
| Amounts yet to be collected | <u>24,985</u> | <u>-</u> |
| Total Conditional Promises to Give | <u>\$ 24,985</u> | <u>\$ -</u> |

6. PROPERTY AND EQUIPMENT

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

Furniture and equipment:

| | | |
|-------------------------------|-----------------|-----------------|
| U.S.A. | <u>\$ 9,155</u> | <u>\$ 6,738</u> |
| | 9,155 | 6,738 |
| Less accumulated depreciation | <u>(6,856)</u> | <u>(6,062)</u> |
| Property and Equipment, net | <u>\$ 2,299</u> | <u>\$ 676</u> |

Depreciation expense amounts to \$793 and \$352 for the years ended September 30, 2020 and 2019, respectively.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

| | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|
| Time restrictions – pledges receivable | \$ 39,334 | \$ 34,634 |
| Time restrictions – beneficial interest in foundation | <u>4,763</u> | <u>4,684</u> |
| Total Net Assets With Restrictions | <u>\$ 44,097</u> | <u>\$ 39,318</u> |

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

7. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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 September 30:

| | | |
|--|------------------|------------------|
| Time restrictions – pledges receivable | \$ <u>29,862</u> | \$ <u>41,940</u> |
| Net Assets Released from Restrictions | \$ <u>29,862</u> | \$ <u>41,940</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 \$10,149 and \$10,790 for the year ended September 30, 2020 and 2019, respectively.

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 2020, approximately 16% of total support and revenue and 30% of the total monetary contributions and grants revenue were received from grants from the United States Government. 18% of the accounts receivable balance is related to grants or pass-thru grants from the United States Government.

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.

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

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 2020, the Organization received funding from the Church for shipping donated products to relief areas in the amount of \$33,412, for a capacity development project in the amount of \$36,000, relief funds for Nepal in the amount of \$60,000, a grant to the Nazarene Youth Conference for \$30,000 and for a program grant in the amount of \$355,000. Included in accounts and grants receivable is \$13,598 due from the Church.

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.

Administration - The Church provides certain non-compensatory administrative services to the Organization. The value of the administrative salaries was \$26,460 and \$25,668 for 2020 and 2019, 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 2020 and 2019 were \$13,705.

11. RISKS AND UNCERTAINTIES

The COVID-19 outbreak is causing serious health and financial risks globally. In addition, this crisis has the potential to negatively affect the Organization by shutting down operations, reducing investment values, reducing the ability to access capital, reducing contributions due to financial uncertainties, reducing collectibility of receivables, disrupting supply chains, etc. While management is considering the current and future effects of the pandemic on the Organization, an estimate of any negative impacts and the means of mitigation are not known at this time.

NAZARENE COMPASSIONATE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

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12. NEW ACCOUNTING PRONOUNCEMENTS

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 June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date for certain entities to fiscal years beginning after December 15, 2021. Early application continues to be allowed.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities. (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, which provides new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments in this ASU are to be applied on a retrospective basis and are effective for fiscal years beginning after June 15, 2021, with early adoption permitted.

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

13. SUBSEQUENT EVENTS

On October 1, 2020, the Organization entered into two one-year consulting contracts. The first contract consists of twelve monthly payments of \$1,126. The second contract consists of twelve monthly payments of \$7,014. The Organization is expected to pay \$13,512 and \$84,168 on these contracts during the year ended September 30, 2021, respectively. Both contracts can be terminated with sixty days written notice by either party, and are renewable up to an additional thirty-six months.