

CHRISTIAN SERVICES, INC. OF AMERICA

FINANCIAL STATEMENTS

Year Ended December 31, 2020

CHRISTIAN SERVICES, INC. OF AMERICA

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INDEPENDENT AUDITOR'S REPORT

To the Officers and Board of Directors of
Christian Services, Inc. of America
Hattiesburg, Mississippi

Opinion

We have audited the financial statements of Christian Services, Inc. of America (a Mississippi nonprofit corporation), which comprise the statement of financial position as of December 31, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Christian Services, Inc. of America as of December 31, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Christian Services, Inc. of America and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.



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To the Officers and Board of Directors of
Christian Services, Inc. of America
Hattiesburg, Mississippi

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Christian Services, Inc. of America's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Christian Services, Inc. of America's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

To the Officers and Board of Directors of
Christian Services, Inc. of America
Hattiesburg, Mississippi

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Christian Services, Inc. of America's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.


Hattiesburg, Mississippi
November 15, 2021

FINANCIAL STATEMENTS

EXHIBIT A

CHRISTIAN SERVICES, INC. OF AMERICA

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

ASSETS

CURRENT ASSETS

Cash - without donor restrictions	\$	348,509
Cash - with donor restrictions		5,585
Food supplies on hand		7,047
Prepaid expense		34,832
Asset held for sale		42,500
Total current assets		<u>438,473</u>

FIXED ASSETS

Land		69,500
Furniture and equipment		358,785
Buildings and improvements		1,326,305
		<u>1,754,590</u>
Less: Accumulated depreciation		(961,226)
Fixed assets, net		<u>793,364</u>

OTHER ASSETS

11,420

Total assets

\$ 1,243,257

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	67,960
Sales tax payable		223
Employment taxes payable		1,577
Total current liabilities		<u>69,760</u>

NET ASSETS

Without donor restrictions		1,167,912
With donor restrictions		5,585
Total net assets		<u>1,173,497</u>

Total liabilities and net assets

\$ 1,243,257

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

EXHIBIT B

CHRISTIAN SERVICES, INC. OF AMERICA

**STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Donations - cash	\$ 430,374	\$ 15,620	\$ 445,994
Donations - in kind	156,743	-	156,743
Program fees	-	1,793	1,793
Grants	190,540	139,354	329,894
Bargains and Blessings sales revenue, net	32,653	-	32,653
United Way allocation	-	75,378	75,378
Rental income	2,600	-	2,600
Miscellaneous income	13,471	-	13,471
Net assets released from restriction	311,020	(311,020)	-
Total revenues and other support	<u>1,137,401</u>	<u>(78,875)</u>	<u>1,058,526</u>
EXPENSES			
Program services:			
Soup kitchen	225,391	-	225,391
Benevolence	148,418	-	148,418
Shelters/recovery programs	137,956	-	137,956
Outreach store	138,475	-	138,475
Teaching/special events	68,026	-	68,026
Food distribution	139,469	-	139,469
Total program services	<u>857,735</u>	<u>-</u>	<u>857,735</u>
Supporting services:			
Management and general	30,363	-	30,363
Fundraising and other	8,029	-	8,029
Total supporting services	<u>38,392</u>	<u>-</u>	<u>38,392</u>
Total expenses	<u>896,127</u>	<u>-</u>	<u>896,127</u>
CHANGE IN NET ASSETS	241,274	(78,875)	162,399
NET ASSETS			
Beginning of year	<u>926,638</u>	<u>84,460</u>	<u>1,011,098</u>
End of year	<u>\$ 1,167,912</u>	<u>\$ 5,585</u>	<u>\$ 1,173,497</u>

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

EXHIBIT C

CHRISTIAN SERVICES, INC. OF AMERICA

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

Description	Program Services						Supporting Services			Total Expenses	
	Soup Kitchen	Benevolence	Shelters/ Recovery Programs	Outreach Store	Teaching/ Special Events	Food Distribution	Total Program Services	Management/ General	Fundraising/ Other		Total Supporting Services
Grants	\$ -	\$ 88,470	\$ -	\$ -	\$ -	\$ 69,113	\$ 157,583	\$ -	\$ -	\$ -	\$ 157,583
Compensation to officers	12,500	1,500	11,000	4,500	2,500	9,000	41,000	2,500	2,500	5,000	46,000
Other salaries	61,665	26,075	33,343	55,567	21,500	23,404	221,554	2,000	243	2,243	223,797
Pension plans	898	388	463	866	440	376	3,431	74	52	126	3,557
Employee benefits	9,279	4,014	4,783	8,952	4,551	3,886	35,465	760	537	1,297	36,762
Payroll taxes	5,725	2,151	3,433	4,650	1,842	2,497	20,298	352	214	566	20,864
Accounting fees	1,025	925	925	925	925	925	5,650	1,350	-	1,350	7,000
Advertising / promotion	1,459	1,259	1,459	309	1,304	-	5,790	1,103	4,483	5,586	11,376
Office expenses	61,919	5,778	19,046	2,103	10,685	1,969	101,500	4,150	-	4,150	105,650
Information technology	605	678	678	678	978	452	4,069	454	-	454	4,523
Occupancy	30,929	8,694	39,144	29,895	10,665	7,369	126,696	5,677	-	5,677	132,373
Travel	15,183	2,767	13,514	13,843	4,506	10,315	60,128	5,422	-	5,422	65,550
Interest	137	27	82	109	41	77	473	73	-	73	546
Depreciation	23,967	5,592	9,986	15,978	7,989	9,986	73,498	6,392	-	6,392	79,890
Staff training	100	100	100	100	100	100	600	56	-	56	656
Total	\$ 225,391	\$ 148,418	\$ 137,956	\$ 138,475	\$ 68,026	\$ 139,469	\$ 857,735	\$ 30,363	\$ 8,029	\$ 38,392	\$ 896,127

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

EXHIBIT D

CHRISTIAN SERVICES, INC. OF AMERICA

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>	
Change in net assets	\$ 162,399
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	79,890
Noncash contributions	(45,361)
(Increase) decrease in:	
Prepaid expense	(3,474)
Increase (decrease) in:	
Accounts payable	18,528
Sales tax payable	(434)
Employment taxes payable	1,134
Net cash provided by operating activities	<u>212,682</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>	
Purchases of fixed assets	<u>(94,254)</u>
Net cash used by investing activities	<u>(94,254)</u>
<i>NET INCREASE IN CASH AND CASH EQUIVALENTS</i>	118,428
<i>CASH AND CASH EQUIVALENTS</i>	
Beginning of year	<u>235,666</u>
End of year	<u>\$ 354,094</u>
<i>RECONCILIATION TO STATEMENT OF FINANCIAL POSITION:</i>	
Cash - without donor restrictions	\$ 348,509
Cash - with donor restrictions	<u>5,585</u>
<i>Total cash and cash equivalents</i>	<u>\$ 354,094</u>

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

NOTES TO FINANCIAL STATEMENTS

CHRISTIAN SERVICES, INC. OF AMERICA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Christian Services, Inc. of America (the Organization) is presented to assist in the understanding of the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operations - The Organization is a multi-faceted ministry designed to work together with other agencies and churches to share the love of God with the hungry and the homeless by meeting their basic needs, such as food, clothing and semi-permanent housing. The Organization primarily serves people in Hattiesburg, Mississippi and the surrounding counties. The main source of support is derived from donations.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Financial Statement Presentation - The Organization follows the recommendation of Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASC 958-205, net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization recognizes contributions as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions when received. Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

CHRISTIAN SERVICES, INC. OF AMERICA

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition - In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU and all subsequently issued clarifying ASUs supersede the revenue recognition requirements and most industry-specific guidance under accounting principles generally accepted in the United States of America. The core principle of the new guidance is that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Organization adopted the new standard effective January 1, 2020, the first day of the Organization's year using the modified retrospective approach. Based on the Organization's evaluation process and review of its contracts with customers, the timing and amount of revenue previously recognized is consistent with how revenue is recognized under the new guidance, and therefore, the new guidance did not have a significant impact on the Organization's financial statements.

Contributions are recognized as revenue when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Donations of property, equipment, marketable securities and other non-cash items are recorded as contributions at their estimated fair values at the date of donation. 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.

The Organization recognizes revenue from thrift store sales at the time of purchase. Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Organization recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

Cash and Cash Equivalents - For the purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

CHRISTIAN SERVICES, INC. OF AMERICA

NOTES TO FINANCIAL STATEMENTS PAGE THREE YEAR ENDED DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Food Supplies on Hand - The value of food supplies on hand at year end is calculated based on a nominal value per estimated pound of food in each storage location at year end. These food supplies will primarily be used to serve meals at the Organization's soup kitchen.

Fixed Assets - Fixed assets are recorded at cost. Donations of fixed assets are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset for a particular purpose. The Organization has not received any donated fixed assets subject to restrictions to date.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Furniture and equipment is depreciated over 5 - 15 years and buildings and improvements over 7 - 31.5 years.

Maintenance and repairs of fixed assets are charged to operations, and major improvements are capitalized. Upon retirement, sale, or other disposition of fixed assets, the costs and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

Contributed Services - During the year ended December 31, 2020, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. The Organization typically receives more than 5,000 volunteer hours per year.

Advertising - The Organization expends funds for advertising and promotion of program services throughout the year. The amount spent on non-direct response advertising is expensed as incurred and totaled \$1,544 for the year ended December 31, 2020.

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified as other than a private foundation.

Change in Accounting Principle - As of January 1, 2020, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASUs related to the transition and implementation of ASC 606. The new accounting pronouncement implemented by the Organization during 2020 is discussed in Revenue Recognition above.

CHRISTIAN SERVICES, INC. OF AMERICA

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In June 2018, the FASB issued ASU 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions (that is, revenue from contracts with customers) or contributions. The ASU also assists entities in determining whether a contribution is conditional. The Organization adopted FASB ASU 2018-08 as of January 1, 2020, using the modified prospective basis. The Organization did not make any significant changes to the financial statements as a result of the adoption.

Subsequent Events - In preparing the financial statements, management of the Organization has evaluated subsequent events through November 15, 2021, which is the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	<u>\$ 348,509</u>
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NOTE 3 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash deposits at financial institutions in south Mississippi. At December 31, 2020, the Organization had \$37,450 in uninsured cash balances in excess of the Federal Deposit Insurance Corporation (FDIC).

NOTE 4 - RETIREMENT PLAN

On March 1, 2001, the Organization established a Savings Incentive Match Plan for Small Employers (SIMPLE). Employees are eligible to participate if they have completed one year of service and earn above a minimum compensation requirement. Under the provisions of the SIMPLE, eligible employees may make contributions to the plan subject to a maximum dollar limit. The Organization will match employees' contributions up to 3% of each eligible employee's total compensation. For the year ended December 31, 2020, the total cost of the SIMPLE to the Organization was \$3,557.

CHRISTIAN SERVICES, INC. OF AMERICA

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED DECEMBER 31, 2020

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2020:

Benevolence Program - Loving Hands	<u>\$ 5,585</u>
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NOTE 6 - ECONOMIC UNCERTAINTY AND RELATED RELIEF

During the year ended December 31, 2020, the spread of a novel strain of coronavirus (COVID-19) began in the United States of America causing economic uncertainties for the Organization. While the disruption caused by the coronavirus pandemic is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, the Organization expects this matter to negatively impact operating results, the related financial impact and duration cannot be reasonably estimated at this time.

In March 2020, the Coronavirus Aid, Relief, and Economic Uncertainty (CARES) Act was passed by Congress which established the Paycheck Protection Program (PPP). Under the PPP, the Organization received a loan that would be forgiven if the Organization met certain criteria. At December 31, 2020, the Organization expected to meet the PPP eligibility criteria and concluded that the PPP loan represented, in substance, a grant. Based on this, the Organization followed guidance under FASB ASC 958-605 to record the cash inflow from the PPP loan as a deferred income liability and to reduce the liability as it recognized the related cost to which the loan relates. At December 31, 2020, an amount of \$64,540 has been included in grants revenues and other support without donor restrictions on the statement of activities. Subsequent to December 31, 2020, the Organization has been formally forgiven of the debt obligation.

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