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**CRISIS CONTROL MINISTRY, INC.**

*Financial Statements*

*Year Ended September 30, 2018*

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WINSTON-SALEM, NORTH CAROLINA

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December 12, 2018

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Crisis Control Ministry, Inc.  
Winston-Salem, North Carolina

We have audited the accompanying financial statements of Crisis Control Ministry, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities and net assets – modified cash basis, as of September 30, 2018, and the related statement of support and revenue, expenses and changes in net assets - modified cash basis and statement of functional expenses – modified cash basis 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 the modified cash basis of accounting as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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(Continued)

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 assets, liabilities, and net assets of Crisis Control Ministry, Inc. as of September 30, 2018, and its support, revenue, expenses and changes in net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note A.

### **Basis of Accounting**

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Gray, Callison + Jones CPA, PC*

CRISIS CONTROL MINISTRY, INC.  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS  
September 30, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 832,481
Refundable items	<u>7,337</u>
TOTAL CURRENT ASSETS	<u>839,818</u>

PROPERTY AND EQUIPMENT, net

1,009,352

\$ 1,849,170

NET ASSETS

NET ASSETS

Unrestricted:

Available for current operations	\$ 524,776
Net investment in property and equipment	<u>1,009,352</u>
	1,534,128

Temporarily restricted

315,042

TOTAL NET ASSETS

\$ 1,849,170

The accompanying notes are an integral part of this statement.

CRISIS CONTROL MINISTRY, INC.  
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
MODIFIED CASH BASIS  
Year Ended September 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions, grants and other support	\$ 1,777,815	\$ 881,637	\$ 2,659,452
In-kind contributions		1,901,844	1,901,844
Interest income	757		757
Net assets released from restrictions	<u>2,717,424</u>	<u>(2,717,424)</u>	
<b>TOTAL SUPPORT AND REVENUE</b>	<u>4,495,996</u>	<u>66,057</u>	<u>4,562,053</u>
<b>EXPENSES</b>			
Client assistance	3,960,385		3,960,385
Supporting services:			
General and administrative	344,284		344,284
Fundraising	<u>300,729</u>		<u>300,729</u>
<b>TOTAL EXPENSES</b>	<u>4,605,398</u>		<u>4,605,398</u>
<b>CHANGE IN NET ASSETS</b>	(109,402)	66,057	(43,345)
<b>NET ASSETS - beginning of year</b>	<u>1,643,530</u>	<u>248,985</u>	<u>1,892,515</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,534,128</u>	<u>\$ 315,042</u>	<u>\$ 1,849,170</u>

The accompanying notes are an integral part of this statement.

CRISIS CONTROL MINISTRY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
Year Ended September 30, 2018

	<u>Program Services</u>	<u>Supporting Services</u>		
	Client <u>Assistance</u>	General & Admini- strative	Fundraising	<u>Total</u>
CLIENT ASSISTANCE				
Groceries	\$ 56,798	\$	\$	\$ 56,798
Groceries In-Kind	407,809			407,809
Fuel	9,434			9,434
Rent	453,091			453,091
Electricity	239,204			239,204
Gas	13,487			13,487
Water	32,177			32,177
Pharmacy	277,789			277,789
Pharmacy In-Kind	1,494,035			1,494,035
Other	69,159			69,159
	<u>3,052,983</u>			<u>3,052,983</u>
PERSONNEL COSTS				
Salaries and temporary wages	557,926	199,772	108,616	866,314
Benefits	86,209	31,430	17,089	134,728
Payroll taxes	42,148	15,367	8,355	65,870
	<u>686,283</u>	<u>246,569</u>	<u>134,060</u>	<u>1,066,912</u>
OTHER OPERATING COSTS				
Telephone	8,568	1,071	1,071	10,710
Utilities	20,788	2,535	2,028	25,351
Office supplies/equipment	21,197	15,898	15,898	52,993
Postage	1,682	1,682	13,454	16,818
Philanthropy and fundraising			80,256	80,256
Insurance	15,065	4,304	2,152	21,521
Professional services		9,320		9,320
Repairs and maintenance	32,104	3,915	3,132	39,151
Security guard	4,986			4,986
Janitorial	25,737	3,139	2,511	31,387
Continuing education	1,234	2,467	1,234	4,935
Ministry support		11,945		11,945
Technology	18,249	18,249	24,332	60,830
Volunteer support	4,363			4,363
Travel	2,239			2,239
Bank fees		8,924		8,924
Dues and subscriptions		4,765		4,765
Advertising/Newsletter	1,806	1,806	14,445	18,057
	<u>158,018</u>	<u>90,020</u>	<u>160,513</u>	<u>408,551</u>
DEPRECIATION	<u>63,101</u>	<u>7,695</u>	<u>6,156</u>	<u>76,952</u>
TOTAL EXPENSES	<u>\$ 3,960,385</u>	<u>\$ 344,284</u>	<u>\$ 300,729</u>	<u>\$ 4,605,398</u>

The accompanying notes are an integral part of this statement.

CRISIS CONTROL MINISTRY, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Ministry is a nonprofit organization with locations in Winston-Salem and Kernersville, North Carolina. It is a Christian-based ministry whose mission is to assist people in crisis to meet essential life needs and to become self-sufficient.

Basis of Accounting

The financial statements of Crisis Control Ministry, Inc. (the "Ministry") have been prepared on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis differs from generally accepted accounting principles primarily because support and revenue and related assets are recognized when received rather than when earned, expenses are recognized when paid rather than when incurred, the value of certain donated services, if applicable, is not recorded, and the beneficial interests in assets held by third party trusts are not recorded. The cash method has been modified primarily by the recording of property and equipment and related depreciation, certain refundable items and in-kind donations of distributed food and pharmaceuticals.

Property and Equipment

The Ministry capitalizes individual items costing more than \$5,000 and having an estimated useful life of a minimum of three years. The asset is valued at cost, except that donated assets are recorded at their estimated fair values at date of receipt. Depreciation is provided over the estimated useful lives of the respective assets on a straight line basis.

Financial Statement Presentation

The Organization has adopted FASB ASC 958 Not For Profit Entities. FASB ASC 958 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into net asset categories according to externally imposed restrictions. At September 30, 2018, the Organization reported unrestricted and temporarily restricted net assets of \$1,534,128 and \$315,042, respectively.

Contributions

In accordance with FASB ASC 958 Not For Profit Entities, support received is recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under FASB ASC 958, temporarily restricted support is reclassified to unrestricted net assets upon donor restrictions being met.



CRISIS CONTROL MINISTRY, INC.  
NOTES TO FINANCIAL STATEMENTS

Donated Products and Services

The estimated value of food and pharmaceuticals donated to the Ministry is recorded as in-kind support and expense in the accompanying financial statements to the extent such amounts were distributed to the Ministry's clients during the year. Perpetual inventories of food items and pharmaceuticals are not maintained, except for controlled pharmaceuticals, which is required by law. The accompanying financial statements do not reflect the value of food and pharmaceuticals on hand at year end.

The value assigned in-kind food and pharmaceutical support and expense is determined by using what management believes to be conservative estimates of the wholesale value for items dispensed less actual purchases made for these items during the year.

For in-kind food donations, the value assigned to distributed food items is determined using local grocery store retail prices, reduced by applying a retail industry gross profit percentage to arrive at an estimated wholesale value.

For in-kind pharmaceutical donations, the Ministry maintains a database for dispensed prescriptions. The database contemporaneously assigns an "average wholesale price" value to each prescription filled, that is, a price pharmaceutical manufacturers charge to large customers and pharmaceutical chains.

The accompanying financial statements do not reflect the value of donated services provided by volunteers, the rental value of donated facilities, or the value of any other donated item(s), other than those referred to above.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting periods. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that potentially subject the Ministry to concentrations of credit risk consist principally of cash deposits in excess of the \$250,000 federally insured limit. Uninsured deposits at September 30, 2018 were approximately \$137,222.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CRISIS CONTROL MINISTRY, INC.  
NOTES TO FINANCIAL STATEMENTS

Income Tax Status

The Ministry is recognized as a charitable organization under Section 501(c)(3) of the Internal Revenue Code and has been granted exemption from federal and state income taxes. Management is not aware of any events or circumstances that would jeopardize its tax-exempt status.

NOTE B: PROPERTY AND EQUIPMENT

As of September 30, 2018, property and equipment consisted of the following:

Land	\$ 63,406
Building	1,827,172
Furniture and equipment	<u>501,072</u>
	2,391,650
Accumulated depreciation	<u>(1,382,298)</u>
	<u>\$ 1,009,352</u>

Depreciation expense for the year ended September 30, 2018 totaled \$76,952.

NOTE C: WINSTON-SALEM FOUNDATION TRUSTS

The Ministry is the sole beneficiary of five endowment funds administered under irrevocable trust agreements with The Winston-Salem Foundation - The Crisis Control Ministry, Inc. Endowment Fund, the Hope Trust of Crisis Control Ministry, the Gordon Hanes Memorial Endowment for Crisis Control Ministry, the Orpha Marie Leonard Pope Fund, and the J. Kirk Glenn, Jr. Endowment. The Ministry is also a co-beneficiary of several other endowment funds at the Winston-Salem Foundation.

The endowment funds are irrevocable, and are controlled and administered by The Winston-Salem Foundation with Wells Fargo (formerly Wachovia Bank, N.A.) as Trustee and to whom variance power has been granted under these trust agreements. Contributions made directly to these trusts, including contributions made to the trust by the Ministry as a donor, contributions received by the Ministry designated for transfer to these trusts by unrelated third parties, as well as any undistributed investment earnings accumulated in these trusts, including any changes in fair value of trusted assets, have not been included as assets of the Ministry in these statements. Management of the Ministry is not aware of any instances or matters that would jeopardize its status as beneficiary to the income produced from these trust assets at the Foundation.

During the year ended September 30, 2018, the Ministry received distributions of \$57,206 from these endowments for operating and specified purposes.

CRISIS CONTROL MINISTRY, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE D: LEASES

The Ministry's Kernersville facility is occupied rent free under an agreement with the owner. Under this agreement, the Ministry is required to pay maintenance and utilities for its portion of the building. The value of this in-kind lease has not been included in the accompanying financial statements as it is not considered significant.

NOTE E: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2018, are as follows:

Donor restricted by specific purpose:

Client Services:

Food	\$ 12,258
Fans	200
Duke Energy Shareholder Funds/STW	242,131

Events:

CROP Walk	11,217
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Other:

School Initiative and Poverty Simulation Consultant	39,018
Place-based Initiative	8,673
Old Town Project	310
Praise Project	584
HEI Nutrition Information	625
Kernersville Refrigerator	26
	<u>\$ 315,042</u>

NOTE F: PENSION PLAN

The Ministry has established a defined contribution pension plan for the benefit of its employees, who become eligible after one year of service. Eligible participants may make elective deferrals to the Plan up to 18% of eligible compensation, subject to limitations prescribed by the Internal Revenue Service. Employer contributions to the Plan are at the discretion of the Ministry's Board. Pension costs recorded by the Ministry during the year ended September 30, 2018 totaled \$37,256.

NOTE G: GUARANTEES

As part of their client services, the Ministry acts as a guarantor for numerous clients' utility bill arrangements with Duke Energy and/or Piedmont Natural Gas. In the event of the clients' default, the Ministry then becomes liable for the balance owed. Presently, Management estimates the Ministry is contingently liable under these guarantee arrangements for approximately \$2,800.

CRISIS CONTROL MINISTRY, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE H: COMMITMENT

In June, 2017, the Ministry entered into an agreement for licensing and support for database management software. Under the terms of the agreement, the Ministry has agreed to make annual installments of \$8,151 through 2022.

NOTE I: INCOME TAXES

The Organization files its income tax return in the U.S. Federal jurisdiction. The Organization is no longer subject to income tax examination by tax authorities for the tax years prior to 2014. In the normal course of business, the Organization is subject to examination by the various taxing authorities. Although the outcome of tax audits is always uncertain, the Organization believes that there are no significant unrecognized tax liabilities at September 30, 2018.

NOTE J: SUBSEQUENT EVENTS EVALUATION

The Ministry evaluated the effects subsequent events would have on the financial statements through December 12, 2018, which is the date the financial statements were available for issuance.