

CHRISTIAN COMMUNITY ACTION
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2022 AND 2021



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Christian Community Action
Lewisville, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Christian Community Action (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christian Community Action, as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Christian Community Action 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.

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 Community Action ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 Community Action'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Christian Community Action'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.

Supplementary Information – SEFA

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Supplementary Information – Statements by Fund

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The statement of financial position by fund and the statement of activities by fund are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2023, on our consideration of Christian Community Action’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Christian Community Action’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Christian Community Action’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Fort Worth, Texas
March 1, 2023

**CHRISTIAN COMMUNITY ACTION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,266,860	\$ 1,488,977
Investments	9,865,032	10,593,947
Grants Receivable	243,639	57,602
Accounts Receivable	57,234	46,996
Estate Receivable - See Note 20	-	850,000
Accrued Interest Receivable	15,042	14,846
Note Receivable	-	187,500
Inventories	440,770	311,152
Prepaid Expenses	73,557	22,483
Total Current Assets	11,962,134	13,573,503
NONCURRENT ASSETS		
Property and Equipment, Net	2,838,381	2,962,522
Total Noncurrent Assets	2,838,381	2,962,522
Total Assets	\$ 14,800,515	\$ 16,536,025
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 55,267	\$ 71,143
Payroll and Related Liabilities	89,892	72,868
Deferred Revenue	62,475	127,256
Custodian Client Payables	1,081	1,081
Total Liabilities	208,715	272,348
NET ASSETS		
Total Without Donor Restrictions	14,526,797	16,157,393
Total With Donor Restrictions	65,003	106,284
Total Net Assets	14,591,800	16,263,677
Total Liabilities and Net Assets	\$ 14,800,515	\$ 16,536,025

See accompanying Notes to Financial Statements.

**CHRISTIAN COMMUNITY ACTION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 1,006,879	\$ 227,220	\$ 1,234,099
Special Event Revenue, Net of Direct Costs of \$22,954	96,141	-	96,141
Contributions of Nonfinancial Assets	4,329,108	-	4,329,108
Grants, Foundations, and Other	1,251,710	247,707	1,499,417
Investment Loss, Net of Fees	(1,029,456)	-	(1,029,456)
Interest Income	3,158	-	3,158
Thrift Resale Relationship Revenue	817,311	-	817,311
Net Assets Released from Restrictions	516,208	(516,208)	-
Total Revenue and Support	6,991,059	(41,281)	6,949,778
EXPENSES			
Program Services	7,575,517	-	7,575,517
Fundraising	775,256	-	775,256
Management and General	270,882	-	270,882
Total Expenses	8,621,655	-	8,621,655
CHANGE IN NET ASSETS	(1,630,596)	(41,281)	(1,671,877)
Net Assets - Beginning of Year	16,157,393	106,284	16,263,677
NET ASSETS - END OF YEAR	\$ 14,526,797	\$ 65,003	\$ 14,591,800

See accompanying Notes to Financial Statements.

**CHRISTIAN COMMUNITY ACTION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 1,826,060	\$ 332,766	\$ 2,158,826
Contributions of Nonfinancial Assets	5,398,597	-	5,398,597
Grants, Foundations, and Other	1,641,844	392,212	2,034,056
Investment Income, Net of Fees	1,923,288	-	1,923,288
Interest Income	28,765	-	28,765
Thrift Resale Relationship Revenue	840,902	-	840,902
Grant Revenue from CARES Act - See Note 8	196,000	-	196,000
Net Assets Released from Restrictions	708,326	(708,326)	-
Total Revenue and Support	<u>12,563,782</u>	<u>16,652</u>	<u>12,580,434</u>
EXPENSES			
Program Services	8,664,512	-	8,664,512
Fundraising	676,511	-	676,511
Management and General	285,947	-	285,947
Total Expenses	<u>9,626,970</u>	<u>-</u>	<u>9,626,970</u>
CHANGE IN NET ASSETS	2,936,812	16,652	2,953,464
Net Assets - Beginning of Year	<u>13,220,581</u>	<u>89,632</u>	<u>13,310,213</u>
NET ASSETS - END OF YEAR	<u>\$ 16,157,393</u>	<u>\$ 106,284</u>	<u>\$ 16,263,677</u>

See accompanying Notes to Financial Statements.

**CHRISTIAN COMMUNITY ACTION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

	Family Services	Direct Family Assistance	Distributed Goods and Services	Total Program Services	Fundraising	Management and General	Total Supporting Expenses	Total
DIRECT FAMILY ASSISTANCE								
Client Housing	\$ -	\$ 1,279,716	\$ -	\$ 1,279,716	\$ -	\$ -	\$ -	\$ 1,279,716
Client Utilities	-	150,406	-	150,406	-	-	-	150,406
Food Purchase	-	106,732	-	106,732	-	-	-	106,732
Other Direct Family Assistance	-	60,986	-	60,986	-	-	-	60,986
Total Direct Family Assistance	-	1,597,840	-	1,597,840	-	-	-	1,597,840
OPERATING EXPENSES								
Salaries and Wages	995,545	-	-	995,545	481,359	106,122	587,481	1,583,026
Payroll Taxes and Benefits	261,406	-	-	261,406	122,771	19,434	142,205	403,611
Depreciation	110,561	-	-	110,561	11,641	18,598	30,239	140,800
Professional Services	-	-	-	-	7,076	24,544	31,620	31,620
Information Technology	33,250	-	-	33,250	9,676	47,978	57,654	90,904
Insurance	63,971	-	-	63,971	7,963	7,939	15,902	79,873
Facilities Expenses	97,214	-	-	97,214	11,923	30,899	42,822	140,036
Office Expenses	108,521	-	-	108,521	69,918	13,431	83,349	191,870
Marketing and Advertising	5,978	-	-	5,978	52,929	1,937	54,866	60,844
Total Operating Expenses	1,676,446	-	-	1,676,446	775,256	270,882	1,046,138	2,722,584
DISTRIBUTED GOODS AND SERVICES								
Food	-	-	2,846,962	2,846,962	-	-	-	2,846,962
Share Our Surplus	-	-	1,248,412	1,248,412	-	-	-	1,248,412
Toys	-	29,641	54,846	84,487	-	-	-	84,487
Clothing School Supplies and Backpacks	-	40,582	25,260	65,842	-	-	-	65,842
Volunteer Time	-	-	10,696	10,696	-	-	-	10,696
Other Distributed Goods and Services	-	-	44,832	44,832	-	-	-	44,832
Total Distributed Goods and Services	-	70,223	4,231,008	4,301,231	-	-	-	4,301,231
Total Functional Expenses	<u>\$ 1,676,446</u>	<u>\$ 1,668,063</u>	<u>\$ 4,231,008</u>	<u>\$ 7,575,517</u>	<u>\$ 775,256</u>	<u>\$ 270,882</u>	<u>\$ 1,046,138</u>	<u>\$ 8,621,655</u>

See accompanying Notes to Financial Statements.

**CHRISTIAN COMMUNITY ACTION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	Family Services	Direct Family Assistance	Distributed Goods and Services	Total Program Services	Fundraising	Management and General	Total Supporting Expenses	Total
DIRECT FAMILY ASSISTANCE								
Client Housing	\$ -	\$ 1,379,631	\$ -	\$ 1,379,631	\$ -	\$ -	\$ -	\$ 1,379,631
Client Utilities	-	120,332	-	120,332	-	-	-	120,332
Food Purchase	-	124,801	-	124,801	-	-	-	124,801
Other Direct Family Assistance	-	206,954	-	206,954	-	-	-	206,954
Total Direct Family Assistance	-	1,831,718	-	1,831,718	-	-	-	1,831,718
OPERATING EXPENSES								
Salaries and Wages	848,483	-	-	848,483	407,986	98,187	506,173	1,354,656
Payroll Taxes and Benefits	225,316	-	-	225,316	93,500	20,248	113,748	339,064
Depreciation	110,278	-	-	110,278	12,041	31,885	43,926	154,204
Professional Services	448	-	-	448	48,437	25,609	74,046	74,494
Information Technology	20,144	-	-	20,144	8,528	53,730	62,258	82,402
Insurance	54,548	-	-	54,548	6,698	6,663	13,361	67,909
Facilities Expenses	82,684	-	-	82,684	7,912	25,167	33,079	115,763
Office Expenses	100,544	-	-	100,544	42,231	22,830	65,061	165,605
Marketing and Advertising	6,989	-	-	6,989	49,178	1,628	50,806	57,795
Total Operating Expenses	1,449,434	-	-	1,449,434	676,511	285,947	962,458	2,411,892
DISTRIBUTED GOODS AND SERVICES								
Food	-	-	4,266,875	4,266,875	-	-	-	4,266,875
Share Our Surplus	-	-	879,858	879,858	-	-	-	879,858
Toys	-	-	129,792	129,792	-	-	-	129,792
Clothing School Supplies and Backpacks	-	-	42,200	42,200	-	-	-	42,200
Volunteer Time	-	-	9,458	9,458	-	-	-	9,458
Other Distributed Goods and Services	-	-	55,177	55,177	-	-	-	55,177
Total Distributed Goods and Services	-	-	5,383,360	5,383,360	-	-	-	5,383,360
Total Functional Expenses	<u>\$ 1,449,434</u>	<u>\$ 1,831,718</u>	<u>\$ 5,383,360</u>	<u>\$ 8,664,512</u>	<u>\$ 676,511</u>	<u>\$ 285,947</u>	<u>\$ 962,458</u>	<u>\$ 9,626,970</u>

See accompanying Notes to Financial Statements.

**CHRISTIAN COMMUNITY ACTION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,671,877)	\$ 2,953,464
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	140,800	154,204
Net Realized and Unrealized (Gain) Loss on Investments	1,429,179	(1,335,565)
Inventories	(129,618)	(18,253)
Forgiveness of PPP Loan Debt	-	(196,000)
Changes in Operating Assets and Liabilities:		
Grants Receivable	(186,037)	(57,602)
Accounts Receivable	(10,238)	23,649
Estate Receivable	850,000	(850,000)
Accrued Interest Receivable	(196)	1,706
Prepaid Expenses	(51,074)	4,524
Accounts Payable and Accrued Expenses	(15,876)	(66,372)
Accrued Liabilities	(47,757)	148,255
Net Cash Provided by Operating Activities	<u>307,306</u>	<u>762,010</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(16,659)	(115,972)
Proceeds from Sale of Investments	2,317,027	4,526,917
Purchases of Investments	(3,017,291)	(5,115,895)
Principal for Loan Issued for Sale of Fixed Assets	187,500	375,000
Net Cash Used by Investing Activities	<u>(529,423)</u>	<u>(329,950)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(222,117)	432,060
Cash and Cash Equivalents - Beginning of Year	<u>1,488,977</u>	<u>1,056,917</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,266,860</u>	<u>\$ 1,488,977</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES		
Donated Goods Received	<u>\$ 4,314,186</u>	<u>\$ 5,386,914</u>
Donated Goods Distributed	<u>\$ 4,184,568</u>	<u>\$ 5,368,661</u>

See accompanying Notes to Financial Statements.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 ORGANIZATION AND OPERATIONS

The Christian Community Action (the Organization) was formed in 1973 in Lewisville, Texas. The Organization is a faith-based nonprofit agency dedicated to providing help to lower income families by providing them with a wide range of programs and services that address their needs. Current programs include housing, financial assistance, food distribution, life-skills training, ESL classes, socialization services for elderly independent low income people, and job placement. The Organization receives cash donations from individuals, local churches, special events, and grants from private corporations, foundations, and federal, state, and local governments and funding through an agreement for the collection of donated items in the Organization's service area.

During November 2017, the Organization entered into an asset purchase agreement (the Agreement) with Recycle 2 Support (R2S) for the sale of assets and inventory related to resale operations owned and operated by the Organization. R2S operates Thrift Giant resale stores. As a result of receiving donated items for the benefit of the Organization, R2S will provide continued funding to the Organization. Prior to the sale, the Organization used proceeds from the resale operations for funding of programs and services. See Notes 4 and 10 for further information related to the sale of resale operations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Net Assets

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 available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. 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.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers any short-term investment convertible to cash within three months or less with little or no change in the principal amount to be a cash equivalent.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets reflected on the statement of activities.

U.S. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. The three levels of fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace.

Level 3 – Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to the Organization's needs.

As of June 30, 2022 and 2021, the Organization was able to utilize Level 1 and Level 2 inputs for all significant investments.

Grants and Accounts Receivable

Grants and accounts receivable are stated at net realizable value. The Organization considers grants and accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. The Organization utilizes the allowance method for recognition of bad debts. The Organization has not incurred any bad debt expense for the years ended June 30, 2022 and 2021.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Note Receivable

Note receivable is carried at unpaid principal balances, less any allowance for loan losses. The allowance for loan losses is increased by charges to the change in net assets and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Organization's past loan loss experience, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The Organization's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons.

Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Inventories

The Organization holds inventory which consists of housewares, clothing, food, etc. These items are obtained primarily from donations but also from purchases at discounted prices. The Organization values all food received at the fair market value per pound received as determined by local food banks. The fair value of donated goods such as toys and supplies using estimated retail prices of identical or similar products.

Property and Equipment

Property and equipment are stated at cost, or estimated fair value if donated at the date the equipment is donated, less accumulated depreciation and amortization. The Organization capitalizes such assets with a cost exceeding \$1,000 and useful life of one year or more except computers purchased for individual employee use will be expensed regardless of cost. Maintenance, repairs, and replacement, which do not improve or extend the lives of the respective assets, are expensed when incurred. When property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed, and any gain or loss is included in income. Interest incurred to finance assets under construction is capitalized as construction cost until the assets are placed in service.

Depreciation and amortization is provided for over the estimated useful lives of the assets using the straight-line method as follows:

Buildings and Improvements	25 to 40 Years
Furniture and Equipment	3 to 5 Years
Software	5 to 10 Years
Vehicles	5 Years

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions – Contributions are recognized when received or a donor makes a pledge to give to the Organization that is, in substance, unconditional. Unconditional promises to give expected to be collected within one year, are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their net realizable value, using interest rates applicable to the years in which the promises are to be received and adjusted for the credit risk of the donor based on management assessment. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Conditional promises to give as of June 30, 2022 and 2021 totaled \$48,773 and \$-0-, respectively. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions (primarily restrictions as to purpose and/or time) are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions of Nonfinancial Assets – Donated goods are recognized as revenue at their estimated fair value during the period received. Donated services are recognized as revenue at their estimated fair value, if both of the following criteria are met: the services require special skills and the services are provided by individuals possessing those skills; and the services would typically need to be purchased, if not donated. Although the Organization may utilize the services of outside volunteers for services that don't meet the qualification listed above, the fair value of these services have not been recognized in the accompanying financial statements since they do not meet the criteria for recognition under U.S. GAAP.

Grants – Grants are recognized at fair value, as revenue, when received or unconditionally promised and collection is deemed to be reasonably certain. The Organization reports grants as net assets with donor restrictions if such gifts are received with donor stipulations that limit the use of the donated assets, unless there are written agreement which supersede those stipulations. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Cost-Reimbursable Grants – A portion of the Organization's revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization was awarded cost-reimbursable grants of \$455,625 that have not been recognized at June 30, 2022 because qualifying expenditures have not yet been incurred.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Building Rental Income – Pursuant to the Agreement with R2S, the Organization leases a building to R2S to operate a resale thrift store. Revenue is recognized over the term of the rental agreement as it is earned.

Thrift Resale Revenue – Pursuant to the Agreement with R2S, the Organization will receive funding for goods donated by individuals to R2S's resale stores. Per the Agreement, the Organization will receive funding from R2S for each pound of nonfurniture items donated and a percentage of the revenue for furniture sales in the Organization's operating area. Donation revenue is recognized during the month that R2S receives and reports the donated goods from individuals for all nonfurniture items. Donation revenue for furniture items is recognized during the month that R2S sells and reports the donated furniture. When the donation revenue is recorded, the Organization will record a receivable from R2S. Cash is received in the month subsequent to the recording of revenue.

Concentration of Credit Risk

Financial instruments which are potentially subject to risk consist primarily of cash and investments. Financial instruments potentially subjecting the Organization to concentrations of credit risk consist primarily of operating cash and investment balances at financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) insurance thresholds, cash held in money market accounts in excess of the amounts insured by the U.S. treasury insurance for money market funds, and various debt and equity instruments in excess of Securities Investor Protection Corporation (SIPC) insurance limits. The Organization has not experienced any credit losses in such accounts in the past.

Income Taxes

The Organization is a nonprofit entity exempt from federal income taxes under Internal Revenue Code Section 501(c)(3); therefore, no provision for federal income taxes has been included in the financial statements. Taxes are paid on net income earned from sources unrelated to the exempt purposes. There was no net income from unrelated business for the years ended June 30, 2022 and 2021.

The Organization files as a tax-exempt organization. Its tax returns are subject to review and examination by federal and state authorities. Tax returns are open for audit by these authorities for three years from the due date of the return of the date actually filed.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among various programs, management and general, and fund raising.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

The Organization expenses advertising costs as they are incurred. Total advertising costs charged to general and administrative expenses were approximately \$12,877 and \$7,833 for the years ended June 30, 2022 and 2021, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Guidance

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU was issued to improve the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The amendment to this ASU requires nonprofits to (1) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and (2) include a disclosure of the disaggregation of the amount of contributed nonfinancial assets recognized by category that depicts the type of contributed nonfinancial assets. No cumulative-effect adjustment in net assets was recorded as a result of the adoption.

Subsequent Events

Management evaluated subsequent events through March 1, 2023, which is the date the financial statements were available to be issued.

NOTE 3 LIQUIDITY AND AVAILABILITY

The board of directors applies the following practices to manage liquid assets and ensure ability to satisfy operating expenses planned for years ended June 30, 2022 and 2021:

1. The board of directors approves the annual operating plan, including expected revenues, program costs, and operating expenses.
2. The board of directors designates net assets based on historical fluctuations and risk of revenue collection. The amount of reserve approximates six months of operating expenses.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 3 LIQUIDITY AND AVAILABILITY (CONTINUED)

3. The board of directors approved an investment policy. Investment funds are managed by a licensed investment advisor. The policy specifies asset allocation guidelines with an acceptable range of 31% to 61% of investments in low-risk asset categories and a target of 46%.
- a. As of June 30, 2022, allocations approximated 39% low risk which amounts to approximately \$3.8 million. This is adequately in excess of the required reserve policy requirement of \$1,806,215.
- b. As of June 30, 2021, allocations approximated 35% low risk which amounts to approximately \$3.7 million. This is adequately in excess of the required reserve policy requirement of \$1,350,000.

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

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 1,266,860	\$ 1,488,977
Investments	9,865,032	10,593,947
Grants Receivable	243,639	57,602
Accounts Receivable	57,234	46,996
Estate Receivable	-	850,000
Note Receivable - Current Portion	-	187,500
Total Liquid Assets	<u>11,432,765</u>	<u>13,225,022</u>
Purpose Restricted	(65,003)	(106,284)
Board Designated - Operating Reserve	<u>(1,806,215)</u>	<u>(1,350,000)</u>
Financial Assets Available	<u>\$ 9,561,547</u>	<u>\$ 11,768,738</u>

NOTE 4 NOTE RECEIVABLE

As discussed in Note 1, during November of 2017, the Organization entered into the Agreement with R2S for the sale of assets and inventories related to the resale operations owned and operated by the Organization. As a condition of the Agreement, R2S executed a note payable to the Organization for \$1,500,000. The note bears interest at a rate of eight percent (8.0%) per annum, payable in monthly principal payments of \$31,250 beginning on January 1, 2018, and maturing on December 1, 2021. The note is guaranteed by Matt Kloeber in his individual capacity and by Boisk, Inc., secured by a lien on all tangible and personal property used in the business as conducted by R2S or any Affiliate. The balance was fully collected during the year ending June 30, 2022. The Organization determined that no estimated credit loss would be required as the note is secured by the assets transferred as part of the Agreement.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	2022	2021
Land	\$ 326,619	\$ 326,619
Buildings and Improvements	5,227,583	5,227,583
Furniture and Equipment	465,692	449,758
Software	162,272	161,547
Vehicles	53,289	53,289
Subtotal	6,235,455	6,218,796
Less: Accumulated Depreciation	(3,397,074)	(3,256,274)
Total Property and Equipment	\$ 2,838,381	\$ 2,962,522

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 totaled \$140,800 and \$154,204, respectively.

NOTE 6 LONG-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

FASB ASC No. 820-10, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consists of other investments and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

When available, the Organization measures fair value using Level 1 and Level 2 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are not used by the Organization.

Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the statement of activities. Long-term investments consist of the following at June 30:

	2022		
	Fair Value	Cost	Cumulative Unrealized Appreciation (Depreciation)
Money Market Accounts	\$ 466,883	\$ 466,883	\$ -
Equities	4,128,511	4,149,661	(21,150)
Mutual Funds	1,923,616	1,593,316	330,300
Fixed Income Securities	3,346,022	3,902,304	(556,282)
Total Investments	\$ 9,865,032	\$ 10,112,164	\$ (247,132)

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 6 LONG-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Long-term investments consist of the following at June 30:

	2021		Cumulative Unrealized Appreciation (Depreciation)
	Fair Value	Cost	
Money Market Accounts	\$ 377,389	\$ 377,389	\$ -
Equities	4,572,250	3,795,362	776,888
Mutual Funds	2,181,181	1,482,712	698,469
Fixed Income Securities	3,463,127	4,185,635	(722,508)
Total Investments	\$ 10,593,947	\$ 9,841,098	\$ 752,849

Investments measured at fair market value on a recurring basis were classified as follows as of June 30:

	2022			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and Money Market				
Accounts	\$ 466,883	\$ -	\$ -	\$ 466,883
Equities	4,128,511	-	-	4,128,511
Mutual Funds	1,923,616	-	-	1,923,616
Fixed Income Securities	-	3,346,022	-	3,346,022
Total	\$ 6,519,010	\$ 3,346,022	\$ -	\$ 9,865,032

Investments measured at fair market value on a recurring basis were classified as follows as of June 30:

	2021			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and Money Market				
Accounts	\$ 377,389	\$ -	\$ -	\$ 377,389
Equities	4,572,250	-	-	4,572,250
Mutual Funds	2,181,181	-	-	2,181,181
Fixed Income Securities	-	3,463,127	-	3,463,127
Total	\$ 7,130,820	\$ 3,463,127	\$ -	\$ 10,593,947

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of June 30:

	2022	2021
Net Assets Without Donor Restrictions:		
Undesignated	\$ 12,720,582	\$ 14,807,393
Board Designated - Operating Reserve	1,806,215	1,350,000
Total Net Assets Without Donor Restrictions:	14,526,797	16,157,393
Subject to Expenditure for Specific Purpose:		
Family Assistance and Pantry	54,003	106,284
Seasonal Programs	11,000	-
Total Net Assets Subject to Expenditure for Specific Purpose	65,003	106,284
Total Net Assets	\$ 14,591,800	\$ 16,263,677

NOTE 8 GRANT REVENUE FROM THE CARES ACT

On April 23, 2020, the Organization received proceeds in the amount of \$196,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain conditions, as outlined in the loan agreement and the CARES Act. The Organization was notified on January 12, 2021 that the PPP loan was forgiven by the SBA. The Organization recognized the entire \$196,000 as revenue in the year ending June 30, 2021.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

NOTE 9 COMMITMENTS

The Organization leases machinery and equipment under noncancelable operating lease agreements. The following are total noncancelable lease agreements as of June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 31,875
2024	23,883
2025	739
Total	\$ 56,497

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 9 COMMITMENTS (CONTINUED)

The Organization has a noncancelable service agreement for technology support services. The following is the total noncancelable service agreement as of June 30:

Year Ending June 30,	Amount
2023	\$ 38,400
2024	38,400
2025	2,975
Total	\$ 79,775

NOTE 10 NOTES RECEIVABLE AND DISCONTINUED OPERATIONS

As discussed in Note 1, during November of 2017, the Organization executed the Agreement with R2S for the sale of assets and inventories related to the resale operations owned and operated by the Organization. As a condition of the Agreement, R2S agreed to pay the Organization \$10,350,000. The Organization received cash in the amount of \$8,850,000 and issued a seller note for \$1,500,000 (see Note 4).

In addition to \$10,350,000, the Agreement outlined future payments of proceeds related to the collection of donated items in the Organization's service area, as defined in the Agreement. The Organization recognizes revenues through this part of the Agreement as donated items are received by R2S.

The decision of the Organization to discontinue operations of the resale and donation centers by entering into the Agreement with R2S enables the Organization to maintain reliable and sustainable liquidity and revenues to support its program services. The Organization is precluded from reentering resale operations, per the Agreement.

NOTE 11 REVENUE RECOGNITION

The following table shows the Organization's revenue disaggregated according to the timing of the transfer of good or services during the year ending :

	2022	2021
Revenue Recognized at a Point in Time:		
Thrift Resale Relationship Revenue - Thrift Store Sales	\$ 669,555	\$ 687,104
Total Revenue Recognized at a Point in Time	\$ 669,555	\$ 687,104

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 12 CONTRACT ASSETS

The Organization's contract assets consist of:

	<u>2022</u>	<u>2021</u>	<u>2019</u>
Accounts Receivable:			
Thrift Resale Relationship Revenue -			
Thrift Store Sales	\$ 44,701	\$ 45,655	\$ 59,193
Total Accounts Receivable	<u>\$ 44,701</u>	<u>\$ 45,655</u>	<u>\$ 59,193</u>

NOTE 13 RETIREMENT PLAN

The Organization has adopted a retirement arrangement under Section 403(b) of the Internal Revenue Code of 1986, as amended. Under the plan, participating employees may contribute a portion of their compensation, pretax or after-tax, limited by an annual deferral limit prescribed by the Internal Revenue Code. The Organization contributes 3.0% of eligible employees' wages plus matches the employee contributions, up to 2.0% of wages. The Organization's contributions are subject to a vesting schedule which entitles the employee to a percentage of the contributions depending on the years of service. For the years ended June 30, 2022 and 2021, the Organization contributed to this retirement plan \$39,927 and \$22,931, respectively.

NOTE 14 CONTRIBUTIONS OF NONFINANCIAL ASSETS

Donated goods including items such as food, toys, and school supplies totaled \$4,314,186 and \$5,386,914 for the years ended June 30, 2022 and 2021, respectively. All donated goods are used by the organization, not monetized, and did not have donor-imposed restrictions associated with them. The Organization estimates the fair value of donated goods such as toys and supplies using estimated retail prices of identical or similar products. Food contributions for pantry are typically based on an industry standard per pound, which is provided by area foodbanks.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 14 CONTRIBUTIONS OF NONFINANCIAL ASSETS (CONTINUED)

In addition, donated services including counseling, ESL training, computer training, and pest services of \$14,922 and \$11,683 have been reflected in the financial statements for the years ended June 30, 2022 and 2021, respectively. The value of these services was determined by using an established or actual, if available, hourly wage. The Organization received the following contributions of goods and professional services for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Goods:		
Pantry	\$ 4,134,218	\$ 5,135,875
Back to School	25,250	42,200
Christmas Toys	91,526	130,963
Kids Eat Free	18,240	22,699
Senior Monday	44,832	55,177
Special Events	120	-
Total Goods	<u>4,314,186</u>	<u>5,386,914</u>
Services:	<u>14,922</u>	<u>11,683</u>
Total Contributed Nonfinancial Assets	<u><u>\$ 4,329,108</u></u>	<u><u>\$ 5,398,597</u></u>

NOTE 15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents on the statements of financial position are without donor restrictions and with donor restrictions as follows at June 30:

	<u>2022</u>	<u>2021</u>
Without Donor Restrictions	\$ 1,201,857	\$ 1,382,693
With Donor Restrictions	65,003	106,284
Total Cash and Cash Equivalents	<u><u>\$ 1,266,860</u></u>	<u><u>\$ 1,488,977</u></u>

NOTE 16 CONCENTRATIONS OF CONTRIBUTIONS

Three donors contributed approximately 59% of total grants, foundations, and other of \$1,499,417 for the year ended June 30, 2022.

Two donors contributed approximately 69% of total grants, foundations, and other of \$2,034,056 for the year ended June 30, 2021.

One donor contributed approximately 39% of total contributions of \$2,158,826 for the year ended June 30, 2021.

**CHRISTIAN COMMUNITY ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 17 LEASES

The Organization leases office space to tenants under noncancellable operating leases. The following is a schedule by year of future minimum rentals under the leases at June 30, 2022:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 138,760
2024	141,535
2025	144,366
2026	147,253
2027	150,198
Thereafter	63,098
Total	<u>\$ 785,210</u>

NOTE 18 FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. These expenses are allocated to functional categories by first allocating costs which are for a specific function or activity directly to that program activity category. Indirect costs are charged to their natural category of expense and then are allocated based on a reasonable basis. The Organization applied a best estimate of time and effort to allocate payroll and related cost amongst functional categories. Other indirect costs were allocated in alignment with the time and effort rates of allocation determined for the payroll and related costs.

NOTE 19 ESTATE RECEIVABLE

The Organization was notified during the year ended June 30, 2021 that they were the beneficiary of a significant estate. As of June 30, 2021, the estate had been through probate, CCA and the estate trustee estimated the value that the Organization would receive as the beneficiary. The Organization has therefore included an estimate of the amounts to be received from the estate of \$850,000 as an estate receivable in the statement of financial position. The \$850,000 estate contribution was received during the year ended June 30, 2022. The estate notified the Organization of an additional \$48,773 as discussed in Note 2, that is contingent on the final settlement that will take place after the year ended June 30, 2022 and therefore no amounts have been recorded as a receivable as of June 30, 2022.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Christian Community Action
Lewisville, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Christian Community Action, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Christian Community Action's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Christian Community Action's internal control. Accordingly, we do not express an opinion on the effectiveness of Christian Community Action's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Christian Community Action’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Fort Worth, Texas
March 1, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Christian Community Action
Lewisville, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Christian Community Action's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Christian Community Action's major federal programs for the year ended June 30, 2022. Christian Community Action's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Christian Community Action complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Christian Community Action and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Christian Community Action's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Christian Community Action's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Christian Community Action's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Christian Community Action's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Christian Community Action's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Christian Community Action's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Christian Community Action's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Christian Community Action's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Christian Community Action's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Christian Community Action's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Christian Community Action's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Fort Worth, Texas
March 1, 2023

**CHRISTIAN COMMUNITY ACTION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? X yes _____ none reported

Type of auditors’ report issued on compliance for major programs? Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516? X yes _____ no

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.231	Emergency Shelter Grant

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

**CHRISTIAN COMMUNITY ACTION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with the above standards.

Section III – Findings and Questioned Costs – Major Federal Programs

2022 – 001

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Title: Emergency Shelter Grant Program

Assistance Listing Number: 14.231

Pass-Through Agency: United Way of Denton County, Texas Department of Housing and Community Affairs, and City of Denton

Pass-Through Number(s): 42206070025, 42216070024, 44206070041, and 43206070082

Type of Finding: Significant Deficiency in Internal Control over Compliance and Other Matters

Criteria or specific requirement: Under the Uniform Guidance, the Organization's records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

Condition: While the Organization has controls in place such as Program Director review of employee grant hours per time sheets, approval of employee wage rates, and Accounting Department review of total payroll costs allocated to the grant, there was a lack of review of the methodology used to calculate the wage rate per hour charged to the Emergency Shelter Grant as well as a lack of review of the calculation that was used to apply total salaries under the program to certain grants.

Questioned costs: None

Context: The following errors were noted in allowable cost testing over payroll:

1. Though employee wage rates tested were properly reviewed and approved, on two of the fourteen payroll testing selections for the audit, the hourly rate used to calculate the payroll costs for the grant was not the correct rate. The rates that were used were the approved pay rates prior to a raise. We note the rate was lower than the approved rate resulting in no questioned costs. Further, we note that all wage rates selected for testing were properly reviewed and approved by the Organization.
2. One employee left the organization mid-month. The organization used the prior month's timesheet to calculate the employee's payroll to the grant resulting in incorrect hours being used. However, the Organization did not apply the full potential pay related to the Emergency Shelter Grant Program for the month resulting in no questioned costs.
3. Beginning in February 2022, the Organization started using an average wage rate allocation as a good faith effort to incorporate PTO and 403b costs, rather than using only the actual approved wage rate and hours directly worked on the grant (i.e. the Organization previously did not charge PTO and other benefits that it is allowed to charge). The method of calculating the rate per hour resulted in differences between the amounts paid to employees versus what was applied to the Emergency Shelter Grant Program. As noted above, the Organization did not apply the full potential pay related to the Emergency Shelter Grant Program each month resulting in no questioned costs and no material noncompliance.

**CHRISTIAN COMMUNITY ACTION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Cause: Lack of review of the method of calculating the rate per hour used to charge wages to the grant as well as a lack of review of the calculation that was used to apply total salaries under the program to applicable grants.

Effect: Inaccurate capturing of costs charged to grant.

Repeat Finding: No

Recommendation: The organization should establish a process for review of the calculation of the rate per hour used to charge wages to the grant as well as a process for review of the calculation that is used to apply total salaries under the program to applicable grants.

Views of responsible officials: There is no disagreement with the audit finding.

**CHRISTIAN COMMUNITY ACTION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Identifying Entity Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development			
Continuum of Care Program	14.267	N/A	\$ 84,174
Continuum of Care Program	14.267	N/A	<u>137,934</u>
Total 14.267			222,108
Pass-through Programs from:			
United Way of Denton County			
COVID-19 Emergency Shelter Grant Program	14.231	44206070041	411,820
Texas Department of Housing and Community Affairs			
Emergency Shelter Grant Program	14.231	42206070025	61,181
Emergency Shelter Grant Program	14.231	42216070024	175,234
City of Denton			
COVID-19 Emergency Shelter Grant Program	14.231	43206070082	<u>99,908</u>
Total 14.231			748,143
City of Lewisville			
COVID-19 Community Development Block Grant	14.218	0283-20-RES	<u>20,688</u>
Total U.S. Department of Housing and Urban Development			<u>990,939</u>
U.S. Department of Homeland Security			
Pass-through Programs from:			
Federal Emergency Management Agency			
Emergency Food and Shelter National Board Program	97.024	37-7826-00	68,827
COVID-19 Emergency Food and Shelter National Board Program	97.024	CARES-7826-00	<u>40,475</u>
Total U.S. Department of Homeland Security			<u>109,302</u>
Total Federal Expenditures			<u><u>\$ 1,100,241</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

CHRISTIAN COMMUNITY ACTION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

NOTE 1 BASIS OF PRESENTATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of Christian Community Action (the Organization) during the year ended June 30, 2022. The Organization's accounting policies and procedures are defined in Note 2 to the basic financial statements. All federal awards received directly from federal agencies, as well as awards passed through other government agencies, have been included in the accompanying schedule of expenditures of federal awards.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards has been prepared using the accrual method of accounting whereby grant revenues are recognized as expenditures are incurred. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 3 SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Christian Community Action provided no federal awards to subrecipients.

NOTE 4 NONCASH ASSISTANCE

The Organization did not receive any noncash assistance from federal or state awards for the year ended June 30, 2022.

NOTE 5 LOANS

At year-end, the Organization had no loans or loan guarantees outstanding with federal awarding agencies.

NOTE 6 INDIRECT COST RATES

The Organization has not elected to use the 10% de minimus indirect cost rate, and continues to use the rates negotiated individually with its grantors.

**CHRISTIAN COMMUNITY ACTION
STATEMENT OF FINANCIAL POSITION BY FUND
JUNE 30, 2022**

	Operating	Investment	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,266,860	\$ -	\$ 1,266,860
Investments	-	9,865,032	9,865,032
Grants Receivable	243,639	-	243,639
Accounts Receivable	57,234	-	57,234
Accrued Interest Receivable	15,042	-	15,042
Inventories	440,770	-	440,770
Prepaid Expenses	73,557	-	73,557
Total Current Assets	2,097,102	9,865,032	11,962,134
NONCURRENT ASSETS			
Property and Equipment, Net	2,838,381	-	2,838,381
Total Noncurrent Assets	2,838,381	-	2,838,381
Total Assets	\$ 4,935,483	\$ 9,865,032	\$ 14,800,515
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 55,267	\$ -	\$ 55,267
Payroll and Related Liabilities	89,892	-	89,892
Deferred Revenue	62,475	-	62,475
Custodian Client Payables	1,081	-	1,081
Total Liabilities	208,715	-	208,715
NET ASSETS			
Total Without Donor Restrictions	4,661,765	9,865,032	14,526,797
Total With Donor Restrictions	65,003	-	65,003
Total Net Assets	4,726,768	9,865,032	14,591,800
Total Liabilities and Net Assets	\$ 4,935,483	\$ 9,865,032	\$ 14,800,515

**CHRISTIAN COMMUNITY ACTION
STATEMENT OF ACTIVITIES BY FUND
YEAR ENDED JUNE 30, 2022**

	<u>Operations</u>	<u>Investment</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 1,227,599	\$ 6,500	\$ 1,234,099
Special Event Revenue, Net of Direct Costs of \$22,954	96,141	-	96,141
Contributions of Nonfinancial Assets	4,329,108	-	4,329,108
Grants, Foundations, and Other	1,499,417	-	1,499,417
Investment Loss, Net of Fees	-	(1,029,456)	(1,029,456)
Interest Income	3,158	-	3,158
Thrift Resale Relationship Revenue	817,311	-	817,311
Contributions - To/From Investment Fund	743,459	(743,459)	-
Total Revenue and Support	<u>8,716,193</u>	<u>(1,766,415)</u>	<u>6,949,778</u>
EXPENSES			
Program Services	7,575,517	-	7,575,517
Fundraising	775,256	-	775,256
Management and General	270,882	-	270,882
Total Expenses	<u>8,621,655</u>	<u>-</u>	<u>8,621,655</u>
CHANGE IN NET ASSETS	94,538	(1,766,415)	(1,671,877)
Net Assets - Beginning of Year	<u>4,632,230</u>	<u>11,631,447</u>	<u>16,263,677</u>
NET ASSETS - END OF YEAR	<u>\$ 4,726,768</u>	<u>\$ 9,865,032</u>	<u>\$ 14,591,800</u>