

NORTH DALLAS SHARED MINISTRIES, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2019 AND 2018

NORTH DALLAS SHARED MINISTRIES, INC.

DECEMBER 31, 2019 AND 2018

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LORI K. ORTA, P.C.
Certified Public Accountant

Independent Auditor's Report

To the Board of Directors
North Dallas Shared Ministries, Inc.

We have audited the accompanying financial statements of North Dallas Shared Ministries, Inc. (a nonprofit organization) ("NDSM"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NDSM as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principle generally accepted in the United States of America.

Dallas, Texas
June 23, 2020

North Dallas Shared Ministries, Inc.
 STATEMENTS OF FINANCIAL POSITION
 December 31,

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 451,512	\$ 281,501
Cash and cash equivalents - with donor restrictions	-	3,000
Investments	6,283,329	5,319,135
Pledges receivable - with donor restrictions	119,000	115,500
Program income receivable	94,375	94,375
Other receivables	54,895	39,273
Inventories	150,608	135,846
Prepaid expenses	5,758	4,960
Total current assets	7,159,477	5,993,590
 PLEDGES RECEIVABLE - WITH DONOR RESTRICTIONS - NET	 194,500	 240,890
 PROPERTY, PLANT AND EQUIPMENT - NET	 1,267,793	 1,349,609
 TOTAL ASSETS	 \$ 8,621,770	 \$ 7,584,089
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 47,459	\$ 16,150
Total current liabilities	47,459	16,150
 NET ASSETS		
Without donor restrictions	8,260,811	7,208,549
With donor restrictions	313,500	359,390
Total net assets	8,574,311	7,567,939
 TOTAL LIABILITIES AND NET ASSETS	 \$ 8,621,770	 \$ 7,584,089

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

North Dallas Shared Ministries, Inc.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions and grants	\$ 948,510	\$ 285,500	\$ 1,234,010
In-kind goods and services	5,173,938	-	5,173,938
Investment income	1,109,468	-	1,109,468
Program income	302,000	-	302,000
Clothing sales	6,199	-	6,199
Other income	54	-	54
Released from restrictions	331,390	(331,390)	-
Total support and revenues	<u>7,871,559</u>	<u>(45,890)</u>	<u>7,825,669</u>
EXPENSES			
Program services			
Medical clinic	3,569,443	-	3,569,443
Food distribution	2,071,705	-	2,071,705
Financial aid	567,919	-	567,919
Clothes closet	403,215	-	403,215
School uniforms and educational supplies	99,446	-	99,446
English as a second language	18,216	-	18,216
Total program services	<u>6,729,944</u>	<u>-</u>	<u>6,729,944</u>
Supporting services			
Management and general	82,997	-	82,997
Fundraising	6,356	-	6,356
Total supporting services	<u>89,353</u>	<u>-</u>	<u>89,353</u>
Total expenses	<u>6,819,297</u>	<u>-</u>	<u>6,819,297</u>
CHANGES IN NET ASSETS	1,052,262	(45,890)	1,006,372
NET ASSETS, at beginning of year	<u>7,208,549</u>	<u>359,390</u>	<u>7,567,939</u>
NET ASSETS, at end of year	<u>\$ 8,260,811</u>	<u>\$ 313,500</u>	<u>\$ 8,574,311</u>

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

North Dallas Shared Ministries, Inc.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions and grants	\$ 1,148,117	\$ 69,971	\$ 1,218,088
In-kind goods and services	4,074,221	-	4,074,221
Investment income (loss)	(154,270)	-	(154,270)
Program income	109,031	-	109,031
Clothing sales	5,483	-	5,483
Other income	1,124	-	1,124
Released from restrictions	645,814	(645,814)	-
Total support and revenues	<u>5,829,520</u>	<u>(575,843)</u>	<u>5,253,677</u>
EXPENSES			
Program services			
Medical clinic	2,530,425	-	2,530,425
Food distribution	1,927,738	-	1,927,738
Financial aid	575,352	-	575,352
Clothes closet	322,497	-	322,497
School uniforms and educational supplies	72,020	-	72,020
English as a second language	18,016	-	18,016
Total program services	<u>5,446,048</u>	-	<u>5,446,048</u>
Supporting services			
Management and general	169,196	-	169,196
Fundraising	5,112	-	5,112
Total supporting services	<u>174,308</u>	-	<u>174,308</u>
Total expenses	<u>5,620,356</u>	-	<u>5,620,356</u>
CHANGES IN NET ASSETS	209,164	(575,843)	(366,679)
NET ASSETS, at beginning of year	<u>6,999,385</u>	<u>935,233</u>	<u>7,934,618</u>
NET ASSETS, at end of year	<u>\$ 7,208,549</u>	<u>\$ 359,390</u>	<u>\$ 7,567,939</u>

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

North Dallas Shared Ministries, Inc.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

	2019	2018
Cash flows from operating activities		
Changes in net assets	\$ 1,006,372	\$ (366,679)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	87,607	89,757
Change in discount on pledges receivable	3,610	4,471
Net realized and unrealized (gains)/losses	(967,410)	270,672
Donated Stock	(29,852)	(62,865)
Loss on disposal of property, plant and equipment	-	83,283
Change in operating assets and liabilities, net		
Other receivables	(15,622)	663
Program income receivable	-	(94,375)
Pledges receivable	39,280	535,096
Inventories	(14,762)	(135,846)
Prepaid expenses	(798)	-
Accounts payable and accrued expenses	31,309	(44,214)
Net cash provided by operating activities	139,734	279,963
 Cash flows from investing activities		
Acquisition of property, plant and equipment	(5,791)	(266,014)
Purchase of investments	(141,875)	(166,235)
Proceeds from investments	174,943	62,865
Net cash provided by (used in) investing activities	27,277	(369,384)
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	167,011	(89,421)
 CASH AND CASH EQUIVALENTS, at beginning of year	284,501	373,922
 CASH AND CASH EQUIVALENTS, at end of year	\$ 451,512	\$ 284,501
 Reconciliation of cash and cash equivalents reported within the statements of financial position to the statements of cash flows:		
Cash and cash equivalents	\$ 451,512	\$ 281,501
Cash and cash equivalents - with donor restrictions	-	3,000
Total cash and cash equivalents shown in the statement of cash flows	\$ 451,512	\$ 284,501

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

North Dallas Shared Ministries, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services						Supporting Services				Total
	Medical Clinic	Food Distribution	Financial Aid	Clothes Closet	School Uniforms and Educational Supplies	English as a Second Language	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Clinic services	\$ 3,357,768	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,357,768	\$ -	\$ -	\$ -	\$ 3,357,768
Food distribution	-	1,902,257	-	-	-	-	1,902,257	-	-	-	1,902,257
Rent assistance	-	-	345,900	-	-	-	345,900	-	-	-	345,900
Clothes expense	-	-	-	333,166	46,632	-	379,798	-	-	-	379,798
Salaries and benefits	138,281	74,673	77,869	20,000	5,361	-	316,184	58,935	3,574	62,509	378,693
Office supplies	5,312	-	5,311	-	-	-	10,623	216	-	216	10,839
Depreciation and amortization expense	18,397	30,662	17,521	20,150	-	-	86,730	877	-	877	87,607
Utilities assistance	-	-	88,070	-	-	-	88,070	-	-	-	88,070
Occupancy expense	17,663	29,438	16,822	19,345	-	-	83,268	841	-	841	84,109
School supplies	-	-	-	-	45,417	-	45,417	-	-	-	45,417
English second language classes	-	-	-	-	-	18,216	18,216	-	-	-	18,216
Telephone	1,150	13,798	4,599	1,150	1,150	-	21,847	920	230	1,150	22,997
Professional fees	-	-	-	-	-	-	-	13,825	-	13,825	13,825
Insurance	17,261.00	6,228	3,559	4,093	-	-	31,141	4,449	-	4,449	35,590
Repairs and maintenance	2,228	3,713	2,122	2,440	-	-	10,503	105	-	105	10,608
Printing	1,571	3,142	1,047	1,885	524	-	8,169	210	2,095	2,305	10,474
Computer expense	624	4,055	1,872	624	-	-	7,175	624	-	624	7,799
Miscellaneous expense	8,826	-	-	-	-	-	8,826	999	-	999	9,825
Vehicle expense	271	2,710	2,884	271	271	-	6,407	812	-	812	7,219
Postage	91	1,029	343	91	91	-	1,645	184	457	641	2,286
	<u>\$ 3,569,443</u>	<u>\$ 2,071,705</u>	<u>\$ 567,919</u>	<u>\$ 403,215</u>	<u>\$ 99,446</u>	<u>\$ 18,216</u>	<u>\$ 6,729,944</u>	<u>\$ 82,997</u>	<u>\$ 6,356</u>	<u>\$ 89,353</u>	<u>\$ 6,819,297</u>

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

North Dallas Shared Ministries, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services						Supporting Services			Total	
	Medical Clinic	Food Distribution	Financial Aid	Clothes Closet	School Uniforms and Educational Supplies	English as a Second Language	Total Program Services	Management and General	Fundraising		Total Supporting Services
Clinic services	\$ 2,261,060	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,261,060	\$ -	\$ -	\$ -	\$ 2,261,060
Food distribution	-	1,783,410	-	-	-	-	1,783,410	-	-	-	1,783,410
Rent assistance	-	-	296,099	-	-	-	296,099	-	-	-	296,099
Clothes expense	-	-	-	258,146	21,415	-	279,561	-	-	-	279,561
Salaries and benefits	114,596	63,907	73,563	20,000	4,069	-	276,135	56,781	2,713	59,494	335,629
Office supplies	91,457	-	91,456	-	-	-	182,913	3,732	-	3,732	186,645
Depreciation and amortization expense	18,849	31,415	17,951	20,644	-	-	88,859	898	-	898	89,757
Loss on disposal of assets	-	-	-	-	-	-	-	83,283	-	83,283	83,283
Utilities assistance	-	-	71,661	-	-	-	71,661	-	-	-	71,661
Occupancy expense	14,962	24,936	14,249	16,387	-	-	70,534	712	-	712	71,246
School supplies	-	-	-	-	45,104	-	45,104	-	-	-	45,104
English second language classes	-	-	-	-	-	18,016	18,016	-	-	-	18,016
Telephone	806	9,675	3,225	806	806	-	15,318	645	161	806	16,124
Professional fees	-	-	-	-	-	-	-	15,765	-	15,765	15,765
Insurance	20,203	2,253	1,287	1,480	-	-	25,223	5,001	-	5,001	30,224
Repairs and maintenance	2,428	4,046	2,312	2,659	-	-	11,445	115	-	115	11,560
Printing	1,382	2,764	921	1,658	461	-	7,186	184	1,843	2,027	9,213
Computer expense	552	3,589	1,656	552	-	-	6,349	553	-	553	6,902
Miscellaneous expense	3,965	-	-	-	-	-	3,965	1,115	-	1,115	5,080
Vehicle expense	86	855	676	86	86	-	1,789	255	-	255	2,044
Postage	79	888	296	79	79	-	1,421	157	395	552	1,973
	<u>\$ 2,530,425</u>	<u>\$ 1,927,738</u>	<u>\$ 575,352</u>	<u>\$ 322,497</u>	<u>\$ 72,020</u>	<u>\$ 18,016</u>	<u>\$ 5,446,048</u>	<u>\$ 169,196</u>	<u>\$ 5,112</u>	<u>\$ 174,308</u>	<u>\$ 5,620,356</u>

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

North Dallas Shared Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS

1. CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2018, North Dallas Shared Ministries, Inc. (“NDSM”) adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. NDSM’s net assets previously reported as temporarily restricted and permanently restricted are now reported as net assets with donor restrictions. Likewise, NDSM’s net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

In November 2016, the FASB issued ASU 2016-18 (Topic 230) – Statement of Cash Flows. This ASU requires entities to show the changes in the total of cash, cash equivalents and restricted cash in the statement of cash flows and reconcile those amounts to the statement of financial position. The Organization adopted ASU 2016-18 on December 31, 2019, and applied the provisions retrospectively to all periods presented in the financial statements. For the years ended December 31, 2019 and 2018, the Organization added \$0 and \$3,000, respectively, of restricted cash to the total cash and cash equivalents presented in the statements of cash flows. The Adoption of ASU 2016-18 had no impact to total without donor restricted revenues, excess of revenues over expenses or total net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

NDSM is a Dallas based non-profit organization, incorporated in 1983, with the purpose of providing charitable assistance to persons in need. NDSM has four main goals to help low income people assume as much responsibility for their lives as they are able: (1) provide appropriate emergency assistance, (2) help give them access to health and community programs designed to help them achieve long-term stability, (3) promote their wellness and financial independence, and (4) develop resource materials that can lead to additional services and support. NDSM provides many layers of support through their various programs including food distribution, financial assistance, clothing distribution, providing school uniforms and school supplies for children, medical and dental services, tax preparation services, English as second language classes, and counseling support.

NDSM’s programs are as follows:

Medical clinic – Medical and dental clinics serve uninsured low-income adults and children residing in NDSM’s zip code area. The medical clinic provides preventive, primary and ongoing medical care for chronic conditions including medications and laboratory tests and immunizations. Dental care includes extractions, restorations, root canals, dentures, and hygiene. All services are offered at no cost to patients.

North Dallas Shared Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Business (Continued)

Food distribution – NDSM has two major food distribution programs: 1) Persons residing within NDSM service area and the homeless apply through the Emergency Aid Center and may receive food and hygiene items up to eight times in a 12 month period. Items are valued at \$125 for a one person household and approximately \$50 for each additional person; 2) Friday Food Basket is a supplemental food assistance program for low-income seniors 60 years and older and for approved permanently disabled persons. There are no zip code or number of visits restrictions. Value of food varies weekly; average is \$50.

Financial aid – Households residing within NDSM’s service area may receive rent or utility assistance once in a 12-month period provided there is verifiable income generally sufficient to meet expenses. There is no upper or lower amount of assistance and assistance must bring amount owed to zero.

Clothes closet – Persons may receive clothing up to three times in a 12-month period. Vouchers are issued by an Emergency Aid Center Interviewer. Clothing is valued at \$60 per person.

School uniforms and educational supplies – NDSM provides two uniform shirts, one pair of pants and one pair of shorts and all Dallas ISD required school supplies to between 2,200-2,600 students annually. Families apply throughout the summer, are issued vouchers, return the week before school begins to pick-up uniforms and the first day of school to pick up school supplies.

English as a second language – NDSM offers Tuesday and Thursday evenings on a non-enrollment basis and four-mornings a week at an off-site location on a semester enrollment basis.

NDSM’s primary revenue sources are contributions and grants from individuals, corporations, foundations, and churches; as well as, a significant amount of support through program, income and donated goods and services.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 restrictions.

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. There were no perpetual in nature restricted net assets for the years ended December 31, 2019 and 2018.

North Dallas Shared Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less. The FDIC deposit insurance insures deposits, money market accounts and certificates of deposit up to \$250,000 per depositor, per insured bank for each ownership category. NDSM maintains cash balances in accounts located in Dallas, Texas, which at times may exceed federally insured limits. There was approximately \$136,000 and \$0 uninsured cash at December 31, 2019 and 2018, respectively.

Other Receivable

NDSM has an agreement with the Dallas County Welfare Department (“DCW”), to make rent payments on behalf of DCW’s welfare recipients. Due to the high volume of requests, DCW is unable to process rent assistance checks on a timely basis. Therefore, NDSM processes DCW’s check requests based solely on the information DCW provides, and is subsequently reimbursed by DCW. Checks written on behalf of DCW are put into the other receivable account, and when DCW reimburses NDSM for these rent payments, the receivable is reduced.

Pledges Receivable

Pledges receivable consist of unconditional promises to give from various donors. Management believes that all amounts will be received when due and that no allowance for uncollectible receivables is necessary. See Note 4.

Investments

NDSM carries investments in marketable securities with readily determinable fair values at their fair value in the accompanying statement of financial position. Fair values are based on quoted market prices. For the years ended December 31, 2019 and 2018, NDSM’s portfolio includes equities. Income earned from investments, including unrealized gains and losses, is recorded in net assets without donor restrictions. See Note 5.

Investment securities are exposed to various risks, such as interest rate, overall market volatility and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and that such changes could affect NDSM’s account balances and the amounts reported in the statement of financial position.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, if purchased, or at estimated fair value if donated. NDSM capitalizes expenditures for property, plant and equipment in excess of \$2,500 that have an estimated useful life greater than one year. Maintenance and repairs are charged to expense as incurred. Depreciation of property, plant and equipment is computed on a straight-line basis over the estimated useful lives as follows:

	<u>Estimated Useful Lives</u>
Automobiles	5 years
Furniture and fixtures	7 years
Computers and software	3-7 years
Machinery and equipment	5-10 years
Building and improvements	10-40 years

As a part of an agreement with University of Texas Southwestern Medical Center (the “Center”), certain Center property, plant and equipment is used in NDSM’s medical clinic and is not included in the financial statements.

North Dallas Shared Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

NDSM maintains inventory consisting of various clothing, school uniforms, school supplies and food. Inventories are either donated and accounted for based on its estimated fair value at the date of donation or purchased and recorded at cost. See Note 6. There is no intention to sell inventory as it is used to accomplish the Organization's mission.

Accounts Payable and Accrued Expenses

Various expenses of NDSM that were incurred before year-end, but paid afterward, have been reported as accounts payable and accrued expenses.

Program Income

NDSM has signed Memorandum of Understandings with other organizations who provide their program services to NDSM's clients while using NDSM's facility. The payment these organizations pay NDSM to use their facility is recognized as program income.

Revenue Recognition

Contributions and grants are generally recorded only upon receipt unless evidence of an unconditional promise to give has been received. Unconditional promises to give (pledges receivable) that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected and reduced by an allowance for uncollectible amounts. Conditional promises to give are recognized when the conditions to which they are subject are met.

In-kind Goods and Services

In-kind goods are reflected as contributions in the accompanying financial statements at their estimated fair value on the date of donation. In-kind services are reflected in the financial statements at the fair value of the services received if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that help NDSM's programs. The value of this donated time is not reflected in the accompanying consolidated financial statements because it does not meet the above criteria. See Note 9.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Office supplies	Usage
Occupancy	Square footage
Telephone	Usage
Depreciation	Square footage and usage
Repairs and maintenance	Square footage

North Dallas Shared Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Liquidity and Availability

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash. See Note 3.

Financial Instruments

The carrying value of cash and cash equivalents, cash and cash equivalents – with donor restrictions, pledges receivable, pledges receivable – with donor restrictions, program income receivable, other receivables, prepaid expenses and accounts payable and accrued expenses approximate fair value due to the short-term maturities of these assets and liabilities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Accordingly, actual results could differ from those estimates.

Income Taxes

NDSM is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

NDSM has concluded that it does not have any unrecognized tax benefits resulting from the current or prior period tax positions. Accordingly, no additional disclosures have been made on the financial statements regarding ASC 740, Income Taxes. NDSM does not have any outstanding interest or penalties, and none have been recorded in the statement of activities and changes in net assets for the years ended December 31, 2019 and 2018. NDSM's informational returns filed are generally subject to examination for three years after the later of the due date or date of filing. As a result, NDSM is no longer subject to income tax examinations by tax authorities for years prior to 2016.

3. LIQUIDITY AND AVAILABILITY

The following reflects NDSM's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year.

	2019	2018
Financial assets		
Cash and cash equivalents	\$ 451,512	\$ 284,501
Investments	6,283,329	5,319,135
Pledges receivable – with donor restrictions	119,000	115,500
Program income receivable	94,375	94,375
Other receivables	54,895	39,273
Financial assets available to meet general expenditures within one year	\$ 7,003,111	\$ 5,852,784

As a part of NDSM's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The director of finance reviews the cash balance weekly. NDSM maintains an investment account invested in liquid assets that serves as an operating reserve. If necessary, funds are transferred from this account to maintain adequate cash balances for general operating needs.

North Dallas Shared Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS

4. PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31,:

	2019	2018
Pledges receivable	\$ 319,000	\$ 365,500
Less: unamortized discount	(5,500)	(9,110)
	\$ 313,500	\$ 356,390
Net amounts due in:		
Less than one year	\$ 119,000	\$ 115,500
One year to seven years (less unamortized discount)	194,500	240,890
	\$ 313,500	\$ 356,390

The discount rate used was 1.875% for the years ended December 31, 2019 and 2018. At December 31, 2019, approximately 95% of pledges receivable is from two donors. At December 31, 2018, approximately 91% of pledges receivable is from two donors.

5. INVESTMENTS

NDSM maintains cash and investments which are insured under Securities Investor Protection Corporation (“SIPC”) limits. SIPC provides up to \$500,000 of protection for securities and \$250,000 of protection for cash per customer. At December 31, 2019 and 2018, uninsured balances totaled approximately \$5.9 million and \$4.8 million, respectively.

NDSM adopted ASC 820, *Fair Value Measurements* (“ASC 820”), which requires enhanced disclosures about investments that are measured and reported at fair value. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a three-tier hierarchy to distinguish between various types of inputs used in determining the value of the NDSM’s investments and liabilities. Level 1 hierarchy uses quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 1 assets include publicly traded securities and mutual funds. Valuations of these instruments do not require a high degree of judgment as the valuations are based on quoted prices in active markets that are readily available. Level 2 hierarchy uses other quoted prices in markets that are not active or for which all significant inputs are not observable, either directly or indirectly. Level 3 hierarchy uses inputs that are unobservable and significant to the overall fair value measurement. There were no level 2 or 3 assets at December 31, 2019 and 2018.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes to the methodologies used at December 31, 2019 and 2018.

Equities – valued at the net asset value of shares held by NDSM at year end.

Bond funds – valued at the net asset value of shares held by NDSM at year end.

Investments consist of the following as of December 31, 2019:

	Fair Value
	(Level 1)
Equities	\$ 6,139,543
Bond funds	143,786
	\$ 6,283,329

North Dallas Shared Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS

5. INVESTMENTS (Continued)

Investments consist of the following as of December 31, 2018:

	Fair Value (Level 1)
Equities	\$ 5,041,346
Bond funds	<u>277,789</u>
	<u>\$ 5,319,135</u>

Investment income (loss) consist of the following for the year ended December 31,:

	2019	2018
Realized gains (losses)	\$ 1,049	\$ (61)
Unrealized gains (losses)	966,361	(270,611)
Interest and dividends	<u>142,058</u>	<u>116,402</u>
	<u>\$ 1,109,468</u>	<u>\$ (154,270)</u>

6. INVENTORIES

Inventories consist of the following at December 31,:

	2019	2018
Clothes	\$ 45,737	\$ 50,459
School uniforms	52,342	31,433
School supplies	14,157	11,598
Food	<u>38,372</u>	<u>42,356</u>
Total	<u>\$ 150,608</u>	<u>\$ 135,846</u>

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at December 31,:

	2019	2018
Land	\$ 110,879	\$ 110,879
Building	997,000	997,000
Building improvements	439,351	433,561
Automobiles	60,273	60,273
Equipment	300,679	300,678
Furniture and fixtures	26,160	26,160
Computers and software	<u>38,332</u>	<u>38,332</u>
	1,972,674	1,966,833
Less: accumulated depreciation and amortization	<u>(704,881)</u>	<u>(617,274)</u>
Total	<u>\$ 1,267,793</u>	<u>\$ 1,394,609</u>

Depreciation and amortization expense was \$87,607 and \$89,757 for the year ended December 31, 2019 and 2018, respectively.

North Dallas Shared Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS

8. NET ASSETS WITH DONOR RESTRICTIONS

Purpose restricted net assets are available for the following at December 31,:

	2019	2018
Subject to the passage of time	\$ 18,500	\$ 25,500
Subject to expenditure for specified purpose:		
Medical clinic	287,000	325,890
Administrative assistant salary	8,000	8,000
	\$ 313,500	\$ 359,390

Purpose restricted net assets were released from restrictions for the following purposes for the year ended December 31,:

	2019	2018
Subject to the passage of time	\$ 25,500	\$ 45,182
Subject to expenditure for specified purpose:		
Renovations	-	450,000
Medical clinic	173,890	70,000
Administrative assistant salary	32,000	32,000
Capital purchases	-	25,000
Food	75,000	-
Clothes and school uniforms	25,000	23,632
	\$ 331,390	\$ 645,814

9. IN-KIND GOODS AND SERVICES

Various medical professionals and laboratories contribute services to NDSM's medical and dental clinic. The value of the professionals' services is recorded at \$65 - \$200 per client office visit based on comparable market rates for the services. The value of the contributed laboratory services is recorded at the value assigned by the contributing laboratory at comparable rates charged to their fee based clients.

Distributed food was valued at \$50 - \$125 per visit for the years ended December 31, 2019 and 2018. This total was reduced by the amount of food purchased to determine the amount of food contributed by donors.

Distributed clothing was valued at \$60 per visit for the years ended December 31, 2019 and 2018. This total was reduced by the amount of clothing purchased to determine the amount of clothing contributed by donors.

In-kind goods and services consist of the following at December 31,:

	2019	2018
Food	\$ 1,685,146	\$ 1,599,241
Clinic services	2,968,124	1,993,823
Clothing	305,668	266,157
Salaries	215,000	215,000
	\$ 5,173,938	\$ 4,074,221

North Dallas Shared Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS

10. CONDITIONAL PROMISE TO GIVE

In June 2019, NDSM received a three year grant in the amount of \$255,000 from United Way of Metropolitan Dallas (“UW”) in the amount of \$85,000 per year. For the year ended December 31, 2019, NDSM recognized revenues of \$85,000 for year one. The remaining \$170,000 of years two and three is conditional upon UW’s collection of its donor pledges.

In June 2018, NDSM was the recipient of the United Way 2018-2019 Basic Needs Grant. The \$20,000 grant covers the period from July 1, 2018 to June 30, 2019. Per the annual service provider contract with United Way, the last six months of the grant is conditional upon United Way’s successful collection of pledges from their 2017-2018 campaign. As of December 31, 2019, NDSM had recognized \$20,000.

11. FEDERAL EXPENDITURES

NDSM is the recipient of a multi-year project funding from the Federal Emergency Management Agency (“FEMA”). Funding from government agencies is subject to specific compliance requirements and review and audit by the grantor agencies. Such audits could result in request for reimbursement by the grantor agency for expenses disallowed under terms and conditions specified in the grant agreements. In the opinion of management, the net effect of any disallowance or adjustment resulting from these activities would not be material to NDMS’s financial position.

12. SUBSEQUENT EVENTS

In December 2019, a novel strain of coronavirus was discovered. The COVID-19 outbreak is disrupting businesses and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our donors and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

In connection with the preparation of the financial statements, subsequent events have been evaluated by NDSM through June 23, 2020, which was the date the financial statements were available for issuance, and concluded that no additional disclosures are required.