

**GREATER HICKORY  
COOPERATIVE CHRISTIAN MINISTRY**

**Financial Statements  
Years Ended December 31, 2012 and 2011**

## Table of Contents

---

<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
-------------------------------------	-------

---

### **FINANCIAL STATEMENTS**

Statements of Financial Position	3
Statement of Activities	4
Statements of Cash Flows	5
Statement of Functional Expense	6 - 7
Notes to Financial Statements	8 - 18

# CAPPS, ARMSTRONG & PRIESTLEY, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
200 First Avenue, NW, P. O. BOX 3504  
HICKORY, NORTH CAROLINA 28603  
TELEPHONE (828)328-2241 FAX (828)328-4344

G. MAURICE CAPPS, CPA  
HAROLD N. ARMSTRONG, JR., CPA

DEBORAH H. SIGMON, CPA  
MICHELLE P. BARE, CPA

MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

NORTH CAROLINA ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Greater Hickory Cooperative Christian Ministry  
Hickory, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of the Greater Hickory Cooperative Christian Ministry (a nonprofit organization) which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, cash flows and functional expenses 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 the Greater Hickory Cooperative Christian Ministry, as of December 31, 2012 and 2011, 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.

## **Report on Summarized Comparative Information**

We have previously audited the Greater Hickory Cooperative Christian Ministry's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 4, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Capps, Armstrong & Priestley LLP*

Capps, Armstrong & Priestley, LLP  
Hickory, NC

August 15, 2013

# GREATER HICKORY COOPERATIVE CHRISTIAN MINISTRY

## STATEMENTS OF FINANCIAL POSITION

**December 31, 2012 and 2011**

---

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash, unrestricted	\$ 105,276	\$ -
Inventories	1,356,867	1,702,271
Other receivables	5,159	6,683
Other current assets	3,563	-
Property and equipment	2,420,060	2,384,189
Accumulated depreciation	( 837,591)	( 782,973)
Cash, restricted	110,118	425,934
Promises to give, restricted (net of allowance for uncollectible promises of \$6,925 and \$2,825 in 2012 and 2011)	42,925	64,232
Beneficial interest in assets held by foundation	<u>82,220</u>	<u>75,579</u>
<b>Total assets</b>	<b><u>\$ 3,288,597</u></b>	<b><u>\$ 3,875,915</u></b>
 <b>LIABILITIES</b>		
Accounts payable	\$ 53,316	\$ 18,013
Note payable	<u>27,598</u>	<u>30,958</u>
<b>Total liabilities</b>	<b><u>80,914</u></b>	<b><u>48,971</u></b>
 <b>NET ASSETS</b>		
Unrestricted	2,795,392	3,261,190
Board designated endowment	-	-
Temporarily restricted	412,291	565,754
Permanently restricted	<u>-</u>	<u>-</u>
<b>Total net assets</b>	<b><u>3,207,683</u></b>	<b><u>3,826,944</u></b>
 <b>Total liabilities and net assets</b>	 <b><u>\$ 3,288,597</u></b>	 <b><u>\$ 3,875,915</u></b>

See accompanying notes

**GREATER HICKORY COOPERATIVE CHRISTIAN MINISTRY**

**STATEMENT OF ACTIVITIES**

**Year ended December 31, 2012(with comparative totals for December 31, 2011)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total All Funds</u>	
				<u>December 31, 2012</u>	<u>December 31, 2011</u>
<b>SUPPORT AND REVENUES</b>					
State/federal grants	\$ 36,393	\$ -	\$ -	\$ 36,393	\$ 27,384
Foundation grants	317,589	110,118	-	427,707	302,130
Public support	346,325	18,300	-	364,625	310,762
Net assets released from restrictions:					
Expiration of time	-	-	-	-	-
Satisfied by payments	289,306	( 289,306)	-	-	-
Thrift store sales	135,392	-	-	135,392	147,204
Investment income	-	7,425	-	7,425	( 837)
Special events income	24,491	-	-	24,491	42,792
Donated food and medicine	6,362,503	-	-	6,362,503	7,774,769
Donated services	195,115	-	-	195,115	196,432
Other income	<u>7,969</u>	<u>-</u>	<u>-</u>	<u>7,969</u>	<u>31,908</u>
<b>Total support and revenues</b>	<b>7,715,083</b>	<b>( 153,463)</b>	<b>-</b>	<b>7,561,620</b>	<b>8,832,544</b>
<b>EXPENSES</b>					
Program services	7,663,124	-	-	7,663,124	8,627,049
Support services	<u>517,757</u>	<u>-</u>	<u>-</u>	<u>517,757</u>	<u>359,621</u>
<b>Total expenses</b>	<b>8,180,881</b>	<b>-</b>	<b>-</b>	<b>8,180,881</b>	<b>8,986,670</b>
<b>CHANGE IN NET ASSETS'</b>	<b>( 465,798)</b>	<b>( 153,463)</b>	<b>-</b>	<b>( 619,261)</b>	<b>( 154,126)</b>
NET ASSETS, beginning	<u>3,261,190</u>	<u>565,754</u>	<u>-</u>	<u>3,826,944</u>	<u>3,981,070</u>
NET ASSETS, ending	<u>\$ 2,795,392</u>	<u>\$ 412,291</u>	<u>\$ -</u>	<u>\$ 3,207,683</u>	<u>\$ 3,826,944</u>

See accompanying notes

# GREATER HICKORY COOPERATIVE CHRISTIAN MINISTRY

## STATEMENTS OF CASH FLOWS Years Ended December 31, 2012 and 2011

---

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$( 619,261)	\$( 154,126)
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	63,578	68,207
Bad debts	-	4
(Increase) decrease in inventories	345,404	( 159,957)
(Increase) decrease in promises to give	21,307	5,236
(Increase) decrease in other receivables	1,524	1,103
(Increase) decrease in other current assets	( 3,563)	-
Increase (decrease) in accounts payable	35,302	( 1,899)
Proceeds from sale of stock	-	1,176
(Gain) loss on sale of stock	-	156
(Increase) decrease in beneficial interest	<u>( 6,641)</u>	<u>6,609</u>
<b>Net cash used by operating activities</b>	<u>( 162,350)</u>	<u>( 233,491)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of furniture and equipment	<u>( 44,830)</u>	<u>( 22,140)</u>
<b>Net cash used by investing activities</b>	<u>( 44,830)</u>	<u>( 22,140)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal repayments of note payable	<u>( 3,360)</u>	<u>( 3,720)</u>
<b>Net cash used by financing activities</b>	<u>( 3,360)</u>	<u>( 3,720)</u>
<b>Net decrease in cash</b>	<u><b>\$( 210,540)</b></u>	<u><b>\$( 259,351)</b></u>
CASH, beginning	\$ 425,934	\$ 685,285
CASH, ending	<u>215,394</u>	<u>425,934</u>
<b>Net decrease in cash</b>	<u><b>\$( 210,540)</b></u>	<u><b>\$( 259,351)</b></u>

See accompanying notes

**GREATER HICKORY COOPERATIVE CHRISTIAN MINISTRY**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2012 (with comparative totals for 2011)**

	<u>Program Services</u>			
	<u>Pharmacy</u>	<u>Clinic</u>	<u>MACC</u>	<u>Client Intervention</u>
Salaries and wages	\$ 149,959	\$ 95,789	\$ 41,163	\$ 111,560
Payroll taxes	10,892	6,963	3,065	8,391
Insurance – health	17,816	20,375	11,107	21,933
Retirement plan	971	597	1,327	670
Client assistance:				
Rent and utilities	-	-	-	37,299
Food distributed	-	-	-	1,388,475
Medicine dispensed	5,355,815	-	-	-
Work and ride	-	-	-	-
Facility expense:				
Insurance – general	1,782	3,927	296	3,565
Repairs and maintenance – building	7,689	7,689	1,024	15,374
Interest expense	-	-	-	-
Utilities	7,230	9,147	1,646	15,362
Contractual and professional services	787	41,250	788	1,575
Supplies	1,150	8,282	-	-
Special events	1,099	16,464	152	2,436
Publicity	-	-	-	-
Repairs and maintenance – equipment	1,128	9,161	556	3,889
Office expense and postage	1,685	1,827	913	2,444
Printing	-	-	-	-
Volunteer recognition and gifts	-	-	-	-
Travel and training	830	496	-	9
Dues and licenses	4,619	616	-	-
Bank charges	-	-	-	-
Miscellaneous	40	40	40	80
	<u>5,563,492</u>	<u>222,623</u>	<u>62,077</u>	<u>1,613,062</u>
Thrift Store inventory variation	-	-	-	-
Depreciation	14,410	17,022	206	10,448
Bad debts	-	-	-	-
Donated professional services	-	<u>195,115</u>	-	-
<b>Total expenses</b>	<u><b>\$5,577,902</b></u>	<u><b>\$ 434,760</b></u>	<u><b>\$ 62,283</b></u>	<u><b>\$1,623,510</b></u>

<u>Support Services</u>			<u>Totals</u>	
<u>Thrift Store</u>	<u>Fund Raising</u>	<u>Management &amp; General</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
\$ 26,458	\$ 16,872	\$ 183,947	\$ 625,748	\$ 630,305
1,955	1,291	30,800	63,357	53,768
6,059	-	19,718	97,008	49,613
247	-	3,579	7,391	27,323
-	-	-	37,299	58,202
-	-	-	1,388,475	1,350,305
-	-	-	5,355,815	6,339,787
-	-	-	-	-
3,565	296	15,731	29,162	23,110
7,689	1,539	10,249	51,253	14,558
-	-	809	809	988
9,909	1,646	7,235	52,175	44,700
4,760	788	5,738	55,686	52,318
-	-	-	9,432	18,800
38	-	265	20,454	17,424
-	9,571	536	10,107	10,970
555	2,778	36,681	54,748	21,347
169	4,997	5,361	17,396	16,549
-	-	1,444	1,444	1,554
-	15	2,654	4,004	5,966
-	297	1,218	6,750	2,212
2,896	-	1,744	4,640	4,531
554	40	449	1,243	855
<u>64,854</u>	<u>40,130</u>	<u>328,158</u>	<u>7,894,396</u>	<u>8,745,185</u>
23,692	-	-	23,692	( 23,158)
7,711	3,210	10,571	63,578	68,207
-	-	4,100	4,100	4
-	-	-	195,115	196,432
<u>\$ 96,257</u>	<u>\$ 43,340</u>	<u>\$ 342,829</u>	<u>\$8,180,881</u>	<u>\$8,986,670</u>

See accompanying notes

# GREATER HICKORY COOPERATIVE CHRISTIAN MINISTRY

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE A. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Business**

The Greater Hickory Cooperative Christian Ministry was established in 1969 as a nonprofit organization composed of churches in the greater area of Hickory, North Carolina. The Ministry is supported primarily through member contributions. The services provided by the Ministry include: financial assistance for rent, utilities, heat, and food, clothing at the thrift shop, prescription drugs, medical assistance and interagency referrals. The Ministry's mission is to bring together the resources of the community to serve people in need of crisis assistance, support, and education, in response to God's call.

#### **Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents include cash in bank, cash on hand, and investments with an original maturity date of three months or less.

#### **Financial Statement Presentation**

The financial statements have been prepared on the accrual basis of accounting. In addition, the Ministry reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

##### **Net Assets Classification:**

*Unrestricted net assets* are those currently available for use in the operations of the Ministry under the direction of the board.

*Temporarily restricted net assets* are those stipulated by donors for specific purposes or those not currently available for use until commitments regarding their use have been fulfilled or lifetime beneficiary interest have ceased.

*Permanently restricted net assets* are those contributed with donor stipulations that they be held in perpetuity with use of income for unrestricted or temporarily restricted purposes.

#### **Contributions**

The Ministry reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

# GREATER HICKORY COOPERATIVE CHRISTIAN MINISTRY

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE A. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair Value of Financial Instruments

The Ministry adopted ASC 820 effective July 1, 2008. ASC 820 defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States, and enhances disclosures about fair value measurements. ASC 820 provides guidance on how to measure fair value when required under existing accounting standards. The statement establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels ("Level 1, 2, and 3"). Level 1 inputs are observable inputs that reflect quoted prices for identical assets or liabilities in active markets the Ministry's has the ability to access at the measurement date. Level 2 inputs are observable inputs, other than quoted prices included in Level 1, for the asset or liability. Level 3 inputs are unobservable inputs reflecting the Ministry's estimates of the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The carrying amounts of cash and cash equivalents and unconditional promises to give to be received in less than one year approximate fair value because of the short maturity of those financial instruments. All unconditional promises to give for the years ended December 31, 2012 and 2011 are receivable in less than one year. The carrying amounts of investments and beneficial interest in assets held by foundation are fair value. See Note I.

The carrying amount of notes payable approximate fair value.

The Ministry's financial instruments at December 31, 2012 and 2011 are summarized as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:				
Cash and equivalents	\$ 215,394	\$ 215,394	\$ 425,934	\$ 425,934
Unconditional promises to give	49,850	49,850	67,092	67,092
Beneficial interest in assets held by foundation	82,220	82,220	75,579	75,579
Financial liabilities:				
Note payable	27,598	27,598	30,958	30,958

# GREATER HICKORY COOPERATIVE CHRISTIAN MINISTRY

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE A. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. The Ministry uses the allowance method of accounting to record bad debts arising from uncollectible promises to give. Under this method, a reserve for uncollectible promises is estimated by analyzing the age and composition of promises to give. All unconditional promises to give for the years ended December 31, 2012 and 2011 are receivable in less than one year.

Promises to give are considered either temporarily restricted or permanently restricted depending on the nature of the promise, until collected, and are presented net of an allowance for uncollectible promises of \$6,925 and \$2,825 as of December 31, 2012 and 2011, respectively.

Year ending December 31, 2012	\$49,850
Less unamortized discount on pledges	-
Less allowance for uncollectible pledges	<u>( 6,925)</u>
	<u>\$42,925</u>

#### Property and equipment

Property and equipment are stated at cost. Donated property and equipment are recorded at their estimated fair market value as of the date donated. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding the length of time those assets are to be maintained, the Ministry reports expirations of donor restrictions when the donated asset is placed in service. Assets with a value of \$500 or above are capitalized, and depreciation is computed on the straight-line method based on the assets' estimated useful lives. Useful lives for all fixed assets range from 3 to 40 years. Depreciation expense was \$63,578 and \$68,207 for the years ended December 31, 2012 and 2011, respectively.

#### Advertising and Catalogs

The Organization follows the policy of charging the costs of advertising (publicity) to expense as incurred. Advertising (publicity) expense was \$10,107 and \$10,970 for the years ended December 31, 2012 and 2011, respectively.

# GREATER HICKORY COOPERATIVE CHRISTIAN MINISTRY

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE A. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Donated Goods and Services

The Ministry received donated services from volunteers with specialized skills in the clinic and pharmacy, and donated goods for distribution to its clients for the years ended December 31, 2012 and 2011. Donated goods are valued at fair market value as of the date the Ministry received the contribution. Donated services are valued at an hourly rate multiplied by the number of hours worked by volunteers in the clinic and pharmacy. Donated goods of \$6,362,503 and \$7,774,769, and donated professional services of \$195,115 and \$196,432 are reflected in the financial statements as public support and client services expense for the years ended December 31, 2012 and 2011, respectively.

The Ministry received donated warehouse space at \$2.50 per square foot for 1,920 square feet for the years ended December 31, 2012 and 2011.

In partnership with the Catawba County Department of Social Services (DSS) and the Faith Community Task Force on Poverty, the Ministry accepts donated vehicles and provides them to individuals who qualify through the Work and Ride Program. The Ministry received vehicles and awarded vehicles in 2012, and received -0- vehicles and awarded -0- vehicles in 2011. DSS maintains these records and they are not reflected in the financial statements. This program was ended in 2011.

#### Functional Expenses

Expenses are charged to each program based on direct expenditures incurred as well as allocations based on facility square footages, payroll percentages, number of users, and tasks.

#### Income Taxes

The Ministry is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claims or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Ministry may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Ministry and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2012 and 2011.

The Ministry files its forms 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of North Carolina. The Ministry is generally no longer subject to examination by the Internal Revenue Service for years before 2009.

# GREATER HICKORY COOPERATIVE CHRISTIAN MINISTRY

## NOTES TO FINANCIAL STATEMENTS

---

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Subsequent Events

Management of the Ministry has evaluated subsequent events through August 15, 2013, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.

### Inventories

The Ministry maintains inventories of food, pharmaceuticals, clothing and household goods which have primarily been donated. The valuations of these inventories are estimated at wholesale for pharmaceuticals and at estimated retail for clothing and food. The Ministry's inventories consist of the following:

	<b>December 31, <u>2012</u></b>	<b>December 31, <u>2011</u></b>
Pharmaceuticals	\$1,243,316	\$1,564,971
Food	48,646	48,703
Clothing & Household goods	<u>64,905</u>	<u>88,597</u>
	<u>\$1,356,867</u>	<u>\$1,702,271</u>

### NOTE B. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2012:

Available for future periods –	
North Carolina Community Foundation	\$ 82,220
Cash, restricted	<u>110,118</u>
Faith in the Future Endowment	<u>201,653</u>
Promises to give:	
St. Lukes United Methodist Church	\$ 7,500
Viewmont Baptist Church	4,800
Holy Trinity Church	<u>6,000</u>
Promises to give, restricted	<u>18,300</u>
Total temporarily restricted assets	<u>\$412,291</u>

# GREATER HICKORY COOPERATIVE CHRISTIAN MINISTRY

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE C. PROPERTY AND EQUIPMENT

The property and equipment of the Ministry consists as follows:

	<u>2012</u>	<u>2011</u>
Land	\$ 176,345	\$ 176,345
Land improvements	22,575	22,575
Buildings and improvements	1,977,781	1,973,376
Vehicles	41,116	41,116
Furniture and equipment	<u>202,243</u>	<u>170,777</u>
	2,420,060	2,384,189
Accumulated depreciation	<u>( 837,591)</u>	<u>( 782,973)</u>
	<u>\$1,582,469</u>	<u>\$1,601,216</u>

### NOTE D. NOTES PAYABLE

Note payable is comprised of the following:

	<u>2012</u>	<u>2011</u>
3.0% note, payable in 240 consecutive monthly payments of \$385.21, including interest, beginning June 1, 1999;	<u>\$ 27,598</u>	<u>\$ 30,958</u>

### NOTE E. CONCENTRATION OF RISKS

The Greater Hickory Cooperative Christian Ministry maintains accounts at banks that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in 2012 and 2011, respectively. Cash at these institutions exceeded federally insured limits only in 2011.

### NOTE F. RETIREMENT PLAN

The Ministry has a simple-IRA plan whereby employees are eligible to participate after 1 year of service. CCM matches up to 3% of a participant employee's salary. Total employer contributions were \$7,391 and \$5,623 for the years ended December 31, 2012 and 2011, respectively.

# GREATER HICKORY COOPERATIVE CHRISTIAN MINISTRY

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE G. INVESTMENTS

A summary of investment earnings included in investment income in the accompanying Statement of Activities for the year ended December 31 is as follows: (Includes activity in the beneficial interest in assets held by foundation.)

	<u>2012</u>	<u>2011</u>
Realized gains/(losses) on sale of equity securities	\$ -	\$ 156
Dividends and interest	783	1,626
Unrealized gain (loss)	<u>6,642</u>	<u>( 2,619)</u>
	<u>\$ 7,425</u>	<u>\$ ( 837)</u>

Proceeds from sales of marketable equity securities during the years ended December 31, 2012 and 2011, were \$ -0- and \$1,176, respectively.

### NOTE H. LEASES

The Ministry leases two copy machines in an operating lease agreement for sixty (60) months with payments of \$399 per month, ending in February, 2016.

The ministry leases a third copy machine in an operating lease agreement for sixty (60) months with payments of \$68 per month, ending April, 2016.

The Ministry leases telephone equipment in an operating lease agreement for sixty months with payments of \$188 per month ending in September 2013.

Future minimum lease payments under operating leases at December 31, 2012 are as follows:

2013	\$ 7,296
2014	5,604
2015	5,604
2016	1,070
2017	-
	<u>\$19,574</u>

# GREATER HICKORY COOPERATIVE CHRISTIAN MINISTRY

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE I. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2012 and 2011 are as follows:

**Fair value measurement at reporting date using:**

	<b><u>Fair Value</u></b>	<b>Quoted Prices in Active Markets For Identical Assets (Level 1)</b>
<b><u>December 31, 2012</u></b>		
Cash – equivalents	\$ 215,394	\$ 215,394
Beneficial interest in assets held by foundation	<u>82,220</u>	<u>82,220</u>
	<b><u>\$ 297,614</u></b>	<b><u>\$ 297,614</u></b>
<b><u>December 31, 2011</u></b>		
Cash – equivalents	\$ 425,934	\$ 425,934
Beneficial interest in assets held by foundation	<u>75,579</u>	<u>75,579</u>
	<b><u>\$ 501,513</u></b>	<b><u>\$ 501,513</u></b>

Fair values for investments and beneficial interest in assets held by foundation are determined by reference to quoted market prices and other relevant information generated by market transactions.

### NOTE J. RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

### NOTE K. ENDOWMENT FUNDS

The Ministry's endowment consists of designated funds raised through the Faith in the Future campaign. Its endowment includes both temporarily restricted funds and funds designated by the Board of Directors to function as endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Accordingly, donor restricted amounts are included in permanently restricted net assets, endowment funds received without donor restrictions are included in temporarily restricted net assets, and the board designated amounts are included in unrestricted net assets.

# GREATER HICKORY COOPERATIVE CHRISTIAN MINISTRY

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE K. ENDOWMENT FUNDS (Continued)

The Board of Directors of the Ministry has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Ministry classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Ministry in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Ministry considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Ministry, and (7) the Ministry's investment policies.

The Ministry has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to the Ministry while seeking to maintain the purchasing power of these endowment assets over the long-term. In order to provide for growth of the funds, the Board of Directors has elected to spend only eighty percent (80%) of the annual net income (defined as interest and dividends) to support the Ministry with twenty percent (20%) returned to principal. Capital gains will normally be returned to the endowment principal; however they may be distributed as income upon the vote of the Board of Directors.

The Board has approved an initial list of investments for the endowment funds. In 2012 and 2011, the funds were invested in money market funds and certificates of deposit. In order to build the endowments to the desired level, no income was distributed in 2012 or 2011.

At December 31, 2012 and 2011, the Ministry did not have any donor imposed permanently restricted endowment funds. Endowment funds raised through the faith in the future campaign (absent of donor restrictions) were raised for long-term financial support of the Ministry and to ensure that the programs and services offered are available now and in the future. Endowment funds raised are included in temporarily restricted net assets until appropriated for distribution. At the end of 2011, the Board of Directors voted to appropriate for distribution those endowment funds necessary to continue the programs offered by the Ministry as the needs arise. The Ministry plans to replenish these funds over time when possible.

**GREATER HICKORY COOPERATIVE CHRISTIAN MINISTRY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE K. ENDOWMENT FUNDS (Continued)**

Endowment net assets composition by type of fund as of December 31, 2012 and 2011 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
<b><u>2012</u></b>			
Donor restricted Endowments Funds	\$ -	\$ 85,119	\$ -
Board Designated Endowment Funds	<u>-</u>	<u>-</u>	<u>-</u>
Total funds	<u>\$ -</u>	<u>\$ 85,119</u>	<u>\$ -</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
<b><u>2011</u></b>			
Donor restricted Endowments Funds	\$ -	\$ 395,838	\$ -
Board Designated Endowment Funds	<u>-</u>	<u>-</u>	<u>-</u>
Total funds	<u>\$ -</u>	<u>\$ 395,838</u>	<u>\$ -</u>

Changes in endowment net assets as of December 31, 2012 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
<b><u>2012</u></b>			
Endowment net assets, beginning of year	\$ -	\$ 395,838	\$ -
Contributions	-	-	-
Investment income	-	739	-
Appropriated for Expenditure	-	( 311,458)	-
Appreciation/(Depreciation)	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 85,119</u>	<u>\$ -</u>

# GREATER HICKORY COOPERATIVE CHRISTIAN MINISTRY

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE K. ENDOWMENT FUNDS (Continued)

#### Implementation of FSP FAS 117-1

In August 2008, the Financial Accounting Standards Board issued FASB Staff Position No. FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" (FSP FAS 117-1). FSP FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FSP FAS 117-1 also requires additional disclosures about an organizations endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of North Carolina enacted UPMIFA in 2009, the provisions of which apply to endowment funds existing on or established after that date. The Ministry has adopted FSPFAS 117-1 for the year ending December 31, 2008. The Board of Trustees has determined that the Ministry's permanently restricted net assets meet the definition of endowment funds under UPMIFA.