

DESIRE STREET MINISTRIES

Financial Statements Years Ended June 30, 2020 and 2019

with Independent Auditors' Report

## DESIRE STREET MINISTRIES

Independent Auditors' Report	3-4
Financial Statements	
Statements of Financial Position	5
Statements of Activities	6
Statement of Functional Expenses–2020	7
Statement of Functional Expenses–2019	8
Statements of Cash Flows	9
Notes to Financial Statements	10-19

## **INDEPENDENT AUDITORS' REPORT**

### **To the Board of Directors of Desire Street Ministries:**

We have audited the accompanying financial statements of Desire Street Ministries (the "Ministry"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"); 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 ministry'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 Ministry'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 Ministry as of June 30, 2020, and the results of activities and cash flows for the year then ended in conformity with GAAP.

## **Emphasis of Matter – Prior Year Financial Information**

Prior to consideration of reclassifications made to conform with the 2020 financial statements presentation, the prior year comparative information and the financial statements of the Ministry as of and for the year ended June 30, 2019 were audited by other auditors whose report dated December 19, 2019 expressed an unqualified opinion on those financial statements.

*Smith + Howard*

October 7, 2020

# DESIRE STREET MINISTRIES

## Statements of Financial Position

	June 30,	
	2020	2019
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 666,874	\$ 568,978
Investments	1,989,466	1,970,663
Contributions and pledges receivable, net	10,000	168,024
Other receivables	1,652	25,881
Prepaid expenses and other assets	44,181	39,071
Real property held for sale	300,000	300,000
Property and equipment, net	1,434	4,708
	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 3,013,607</u>	<u>\$ 3,077,325</u>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 17,004	\$ 35,903
Accrued expenses	44,371	48,685
Contract liabilities - deferred revenue	5,389	119,000
	<u>66,764</u>	<u>203,588</u>
<b>Net Assets:</b>		
Without donor restrictions:		
Undesignated	2,255,536	1,815,133
Board designated - 6 month operating reserve	679,873	776,782
Investment in property and equipment	1,434	4,708
	<u>2,936,843</u>	<u>2,596,623</u>
With donor restrictions:		
Purpose restrictions	-	180,114
Time restrictions	10,000	97,000
	<u>10,000</u>	<u>277,114</u>
Total net assets	<u>2,946,843</u>	<u>2,873,737</u>
Total Liabilities and Net Assets	<u>\$ 3,013,607</u>	<u>\$ 3,077,325</u>

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

# DESIRE STREET MINISTRIES

## Statements of Activities

	Year Ended June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 1,075,210	\$ 11,755	\$ 1,086,965	\$ 1,275,328	\$ 229,457	\$ 1,504,785
Grant and contract revenue	-	-	-	232	-	232
Special event income	461,025	-	461,025	449,987	-	449,987
Less special event expenses	(126,631)	-	(126,631)	(214,753)	-	(214,753)
Net special event income	334,394	-	334,394	235,234	-	235,234
Investment income	53,262	-	53,262	54,782	-	54,782
Rental income	-	-	-	148,597	-	148,597
Other income	4,298	-	4,298	48,763	-	48,763
<b>Total Support and Revenue</b>	<b>1,467,164</b>	<b>11,755</b>	<b>1,478,919</b>	<b>1,762,936</b>	<b>229,457</b>	<b>1,992,393</b>
<b>RECLASSIFICATIONS:</b>						
Net assets released from restrictions	278,869	(278,869)	-	490,325	(490,325)	-
<b>EXPENSES:</b>						
<b>Program services:</b>						
Coach and care	836,709	-	836,709	934,583	-	934,583
Steward and support	56,546	-	56,546	502,593	-	502,593
Educate and engage	246,996	-	246,996	339,421	-	339,421
	1,140,251	-	1,140,251	1,776,597	-	1,776,597
<b>Supporting activities:</b>						
General and administrative	143,230	-	143,230	270,726	-	270,726
Fundraising	122,332	-	122,332	188,999	-	188,999
	265,562	-	265,562	459,725	-	459,725
<b>Total Expenses</b>	<b>1,405,813</b>	<b>-</b>	<b>1,405,813</b>	<b>2,236,322</b>	<b>-</b>	<b>2,236,322</b>
Change in net assets from operating activity	340,220	(267,114)	73,106	16,939	(260,868)	(243,929)
<b>Non-operating activity:</b>						
Loss on asset held for sale	-	-	-	(387,794)	-	(387,794)
Grant of property, equipment, and other assets	-	-	-	(3,597,305)	-	(3,597,305)
<b>Total change in net assets</b>	<b>340,220</b>	<b>(267,114)</b>	<b>73,106</b>	<b>(3,968,160)</b>	<b>(260,868)</b>	<b>(4,229,028)</b>
Net Assets, Beginning of Year	2,596,623	277,114	2,873,737	6,564,783	537,982	7,102,765
<b>Net Assets, End of Year</b>	<b>\$ 2,936,843</b>	<b>\$ 10,000</b>	<b>\$ 2,946,843</b>	<b>\$ 2,596,623</b>	<b>\$ 277,114</b>	<b>\$ 2,873,737</b>

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

# DESIRE STREET MINISTRIES

## Statement of Functional Expenses

Year Ended June 30, 2020

	Program Activities			Supporting Activities				Total Expenses
	Coach and Care	Steward and Support	Educate and Engage	Total Program Activities	General and Administrative	Fundraising	Total Supporting Activities	
Payroll and personnel	\$ 511,724	\$ 37,081	\$ 192,822	\$ 741,627	\$ 90,244	\$ 91,558	\$ 181,802	\$ 923,429
Grants and benevolences	107,000	5,000	-	112,000	-	-	-	112,000
Travel	55,130	3,142	1,988	60,260	4,934	2,142	7,076	67,336
Events	-	-	50,739	50,739	-	75,892	75,892	126,631
Office	51,551	4,231	15,308	71,090	6,542	7,269	13,811	84,901
Insurance	11,518	835	4,340	16,693	1,855	2,061	3,916	20,609
Professional fees	54,233	2,956	15,372	72,561	31,970	11,152	43,122	115,683
Depreciation	2,281	165	860	3,306	367	408	775	4,081
Occupancy	40,365	2,925	15,210	58,500	6,500	7,222	13,722	72,222
Bad debt	-	-	-	-	350	-	350	350
Miscellaneous	2,907	211	1,096	4,214	468	520	988	5,202
<b>Total expenses by function</b>	<b>836,709</b>	<b>56,546</b>	<b>297,735</b>	<b>1,190,990</b>	<b>143,230</b>	<b>198,224</b>	<b>341,454</b>	<b>1,532,444</b>
	54.60%	3.69%	19.43%	77.72%	9.35%	12.94%	22.28%	100.00%
Less expenses included with revenues:								
Special event expenses	-	-	(50,739)	(50,739)	-	(75,892)	(75,892)	(126,631)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 836,709</b>	<b>\$ 56,546</b>	<b>\$ 246,996</b>	<b>\$ 1,140,251</b>	<b>\$ 143,230</b>	<b>\$ 122,332</b>	<b>\$ 265,562</b>	<b>\$ 1,405,813</b>
	59.52%	4.02%	17.57%	81.11%	10.19%	8.70%	18.89%	100.00%

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

# DESIRE STREET MINISTRIES

## Statement of Functional Expenses

Year Ended June 30, 2019

	Program Activities			Supporting Activities				Total Expenses
	Coach and Care	Steward and Support	Educate and Engage	Total Program Activities	General and Administrative	Fundraising	Total Supporting Activities	
Payroll and personnel	\$ 600,649	\$ -	\$ 248,839	\$ 849,488	\$ 196,122	\$ 119,213	\$ 315,335	\$ 1,164,823
Grants and benevolences	61,202	3,597,305	75	3,658,582	-	-	-	3,658,582
Travel	141,195	1,304	42,587	185,086	8,172	2,983	11,155	196,241
Events	3,579	-	35,792	39,371	-	175,382	175,382	214,753
Office	63,587	1,371	16,546	81,504	27,165	44,865	72,030	153,534
Insurance	14,105	70,865	5,846	90,816	4,443	2,801	7,244	98,060
Professional fees	20,672	-	8,568	29,240	6,511	12,016	18,527	47,767
Depreciation	-	159,744	-	159,744	1,505	1,194	2,699	162,443
Occupancy	29,855	99,889	12,372	142,116	18,212	5,927	24,139	166,255
Bad debt	-	169,356	-	169,356	2,569	-	2,569	171,925
Miscellaneous	3,318	64	4,588	7,970	6,027	-	6,027	13,997
<b>Total expenses by function</b>	<b>\$ 938,162</b>	<b>\$ 4,099,898</b>	<b>\$ 375,213</b>	<b>\$ 5,413,273</b>	<b>\$ 270,726</b>	<b>\$ 364,381</b>	<b>\$ 635,107</b>	<b>\$ 6,048,380</b>
	15.51%	67.79%	6.20%	89.50%	4.48%	6.02%	10.50%	100.00%
Less expenses included with revenues or non-operating activity on the statements of activities:								
Grant of fixed assets	-	(3,597,305)	-	(3,597,305)	-	-	-	(3,597,305)
Special event expenses	(3,579)	-	(35,792)	(39,371)	-	(175,382)	(175,382)	(214,753)
<b>Total expenses included in the expense section on the statements of activities</b>	<b>\$ 934,583</b>	<b>\$ 502,593</b>	<b>\$ 339,421</b>	<b>\$ 1,776,597</b>	<b>\$ 270,726</b>	<b>\$ 188,999</b>	<b>\$ 459,725</b>	<b>\$ 2,236,322</b>
	41.79%	22.47%	15.18%	79.44%	12.11%	8.45%	20.56%	100.00%

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



# DESIRE STREET MINISTRIES

## Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 73,106	\$ (4,229,028)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,081	162,443
Unrealized and realized gains on investments	(17,662)	(2,167)
Provision for bad debt	-	171,925
Gain on sale of property and equipment	-	(7,000)
Valuation adjustment of property held for sale	-	387,794
Grant of property and equipment	-	3,597,305
Changes in operating assets and liabilities:		
Government grant reimbursements receivable	-	61,635
Contributions and pledges receivable, net	158,024	167,071
Other receivables	24,229	(78,834)
Prepaid expenses and other assets	(5,110)	22,497
Accounts payable	(18,899)	(95,072)
Accrued expenses	(4,314)	15,279
Contract liabilities - deferred revenue	(113,611)	(11,056)
Net Cash Provided by Operating Activities	99,844	162,792
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(427,217)	(1,860,927)
Proceeds from sales of investments	426,076	924,060
Purchases of property and equipment	(807)	-
Investment in property held for sale	-	(42,511)
Proceeds from sale of property held for sale	-	14,000
Net Cash Provided (Required) by Investing Activities	(1,948)	(965,378)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of debt	-	(500,000)
Net Cash Required by Financing Activities	-	(500,000)
Net Change in Cash and Cash Equivalents	97,896	(1,302,586)
Cash and Cash Equivalents, Beginning of Year	568,978	1,871,564
Cash and Cash Equivalents, End of Year	\$ 666,874	\$ 568,978

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

# DESIRE STREET MINISTRIES

## Notes to Financial Statements

June 30, 2020 and 2019

### 1. NATURE OF ORGANIZATION:

Desire Street Ministries (the Ministry) is a nonprofit organization incorporated under the laws of the state of Louisiana on May 18, 1992. The Ministry originated with the cultivation of a redemptive community-based ministry for the people of the Desire Housing Project of New Orleans, through the teaching and practice of the Christian faith as revealed in the Holy Scriptures, both Old and New Testaments. Following Hurricane Katrina's devastation in 2005, the Ministry began to expand its reach beyond the city of New Orleans.

Today the Ministry is headquartered in Atlanta, Georgia and has transitioned from hands-on management of an inner-city ministry, to instead using a partnership model to develop and support separate urban ministries in multiple cities and states. Through partnerships, Desire Street Ministries reaches more neighborhoods than it could reach alone. With a mission to love our neighbor by revitalizing under-resourced neighborhoods through spiritual and community development, the Ministry is committed to three distinct programs.

First, knowing that thriving leaders produce thriving ministries that will be effective and sustainable, the Ministry coaches and cares for urban ministry leader partners who are called to work in under-resourced neighborhoods. Second, the Ministry seeks out individuals and organizations with a heart for the inner-city, educates and engages them, and connects them with ministry leaders living and working in these neighborhoods. Finally, the Ministry invests and revitalizes ministry in its home state of Louisiana.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### BASIS OF ACCOUNTING

The Ministry follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("GAAP"). The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

#### USE OF ESTIMATES

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

# DESIRE STREET MINISTRIES

## Notes to Financial Statements

June 30, 2020 and 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### NEW ACCOUNTING STANDARDS

Effective July 1, 2019, the Ministry adopted ASU 2014-09, "Revenue from Contracts with Customers" (Topic 606) and the related ASUs, which provided new guidance for revenue recognized from contracts with customers and replaced the previously existing revenue recognition guidance. ASU 2014-09 requires that revenue be recognized at an amount the Ministry is entitled to upon transferring control of goods or services to customers, as opposed to when risks and rewards transfer to a customer. The Ministry adopted the new ASU using the full retrospective approach. The adoption of this ASU did not have a significant impact on the Ministry's financial statements.

No changes were required to previously reported revenues or the beginning net asset balance as a result of the adoption, nor were any contract assets created upon adoption of the standard. Based on the Ministry's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard.

Effective July 1, 2019, the Ministry also adopted ASU 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". The amendments in this update provide a framework for evaluating whether the transfer of assets constitutes a contribution or an exchange transaction. This amendment also provides additional clarification as to whether or not a contribution is conditional. The adoption of the ASU did not have a material impact on the Ministry's financial position, results of operations and cash flows as of and for the year ended June 30, 2020.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking and merchant accounts as well as petty cash, with original maturities of less than 90 days. The Ministry maintains its cash and cash equivalents with high credit, quality financial institutions, which, at times, may exceed federally insured limits. The Ministry has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### INVESTMENTS

Investments in fixed income securities and certificates of deposits are recorded at fair value. Interest and dividend income and the realized and unrealized gain or loss on investments is reported as investment income (loss) without donor restriction in the accompanying statements of activities unless a donor or law restricts its use. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Donated investments are recorded at fair value at the date of donation and are thereafter carried in conformity with the stated policy.

# DESIRE STREET MINISTRIES

## Notes to Financial Statements

June 30, 2020 and 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CONTRIBUTIONS AND PLEDGES RECEIVABLE–NET

Unconditional promises to give (pledges) are recognized as assets and support when the pledges are received. Pledges expected to be collected in more than one year are recorded at their net realizable value. Management periodically reviews the collectability of outstanding pledges and records an estimated allowance based on known facts and historical trends. Pledges are written off at the time they are deemed uncollectible.

Conditional promises to give are not recorded until the conditions are substantially met and bequests are recorded only when amounts are determinable and collection is reasonably assured. There were no conditional pledges to give at June 30, 2020 and 2019, respectively.

#### PROPERTY AND EQUIPMENT–NET

Items capitalized as property and equipment are stated at cost or, if donated, at market value on the date of donation. The ministry generally capitalizes and reports property and equipment acquisitions in excess of \$3,000. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from two to seven years.

#### REAL PROPERTY HELD FOR SALE

Real property held for sale includes both donated property and in-substance foreclosed property. In-substance foreclosed property is real property for which the Ministry has taken physical possession, even though formal foreclosure proceedings did not take place.

At the time the Ministry took physical possession of the Property, it was recorded at fair value less estimated costs to sell. Periodic valuations are performed by management; the property held for sale is carried at the lower of the new cost basis or fair value less cost to sell. Costs incurred in maintaining foreclosed real estate and subsequent impairment adjustments to the carrying amount of a property, if any, are included in expense unless those costs were previously allowed for as part of a periodic valuation.

#### CONTRACT LIABILITIES – DEFERRED REVENUE

The Ministry occasionally receives sponsorship funds in advance for its annual fundraising event held in October. The amounts in deferred revenue represent sponsorships received for the subsequent fiscal year's event.

# DESIRE STREET MINISTRIES

## Notes to Financial Statements

June 30, 2020 and 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets:

*Net assets without donor restrictions* are currently available at the discretion of the board for use in operations, designated by the board for other purposes determined by the board, or invested in property and equipment net of accumulated depreciation.

*Net assets with donor restrictions* are stipulated by donors for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

#### REVENUE RECOGNITION

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Ministry.

Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities reclassifications.

Special event income is recognized when earned as a part of the Ministry's annual fundraising event. Special event revenue is reported net of direct, special event expenses. The Ministry's special event revenue consists of a single performance obligation for which revenue is recognized at a point in time when the special event occurs. Included within deferred revenues are contract liabilities associated with special events of \$5,389 and \$119,000 at June 30, 2020 and 2019, respectively.

The Ministry reports donations of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Ministry reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Noncash gifts that can be used or sold are measured at fair value at the date they are given. There was a minimal amount of donated materials and equipment during 2020. For the year ending June 30, 2019, donated materials and equipment totaled \$25,000.

# DESIRE STREET MINISTRIES

## Notes to Financial Statements

June 30, 2020 and 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities are summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the various programs and supporting services benefited as required by GAAP. Those expenses include personnel related, technology, cloud subscriptions, rent and depreciation. Personnel and staff related expenses (e.g. benefits, training, etc.) are allocated based on an estimate of time and effort. Technology and cloud subscriptions are allocated in part using the staff allocation and in part evaluating the program or supporting activity benefited. Occupancy and depreciation are allocated based upon an estimate of the functions benefited by the assets.

#### INCOME TAXES

The Ministry is a not-for-profit organization which 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.

The Ministry annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Ministry takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. The Ministry does not believe it has any uncertain tax positions as of June 30, 2020.

In the normal course of business, the Ministry is subject to examination by the federal and state taxing authorities. In general, the Ministry is no longer subject to tax examinations for tax years ending before June 30, 2017.

### 3. LIQUIDITY AND FUNDS AVAILABLE:

The Ministry had \$2,667,992 of financial assets as of June 30, 2020, consisting of cash and cash equivalents of \$666,874, investments of \$1,989,466, and receivables of \$11,652. As of June 30, 2019, financial assets totaled \$2,733,546, consisting of cash and cash equivalents of \$568,978, investments of \$1,970,663, and receivables of \$193,905. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Although certain certificates of deposit and fixed income securities may have maturity dates beyond one year, these financial assets are considered to be available for general expenditure within one year due to the fact that they are marketable securities.

At June 30, 2020 and 2019, the Ministry held financial assets in the amounts of \$689,873 and \$1,053,896 that were not available for general expenditure, respectively. Financial assets available for general expenditure were \$1,976,685 and \$1,674,942 at June 30, 2020 and 2019, respectively.

The Ministry structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Ministry regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Ministry has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

# DESIRE STREET MINISTRIES

## Notes to Financial Statements

June 30, 2020 and 2019

### 4. INVESTMENTS:

Investments consist of:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Held at cost:		
Cash and cash equivalents	\$ 9,859	\$ -
Held at fair value:		
Certificates of deposit	778,036	882,613
Money market funds	924,767	934,727
Mutual funds	276,804	-
US Treasury notes	-	125,909
Common stock in transit	-	27,414
	<u>1,979,607</u>	<u>1,970,663</u>
	<u>\$ 1,989,466</u>	<u>\$ 1,970,663</u>

The Ministry classifies its investment assets using a hierarchy of inputs to fair value measurements in accordance with professional standards as follows:

**Level 1** – Quoted prices in active markets for identical assets or liabilities that the Ministry has the ability to access.

**Level 2** – Inputs to the valuation methodology that are derived principally from or corroborated by observable market data:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liabilities;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**Level 3** – Inputs that are unobservable and significant to the overall fair value measurement.

All investments held at fair value are reported using Level 1 methodology with the exception of certificates of deposit. Certificates of deposit are reported using Level 2 methodology.

# DESIRE STREET MINISTRIES

## Notes to Financial Statements

June 30, 2020 and 2019

4. INVESTMENTS, continued:

Investment income consists of:

	<u>Year Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Interest and dividends - net	\$ 36,249	\$ 53,099
Investment fees	(649)	(484)
Net unrealized/realized gains	17,662	2,167
	<u>\$ 53,262</u>	<u>\$ 54,782</u>

5. CONTRIBUTIONS AND PLEDGES RECEIVABLE, NET

Contributions and pledges receivable, net consist of the following:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Due within one year	\$ 10,000	\$ 120,187
Due within two years	-	50,000
	<u>10,000</u>	<u>170,187</u>
Present value discount	-	(2,163)
	<u>\$ 10,000</u>	<u>\$ 168,024</u>

At June 30, 2020 and 2019, management believes all contributions and pledges receivable to be fully collectible. Therefore, no allowance for collectability was established. Contributions and pledges receivable to be collected after one year from the statement of financial position date are discounted at 4.0%.



# DESIRE STREET MINISTRIES

## Notes to Financial Statements

June 30, 2020 and 2019

### 6. REAL PROPERTY HELD FOR SALE

In 2006, the Ministry purchased a building and land in Baton Rouge, Louisiana as a temporary home for Desire Street Academy, which was subsequently closed in 2009. The Ministry sold the property in March 2012 to a charter school and obtained a note receivable in connection with this sale. The note was collateralized by the property. During fiscal 2018, the note receivable went into default as the charter school was no longer a viable entity. The note was placed on a non-accrual status and conversations were held with the borrower to determine how their debt could be satisfied. On February 5, 2018, the borrower executed a Dation En Paiement (Dation) on the 23-acre tract of land and buildings located in Louisiana used to collateralize the note. The Dation effectively satisfied the debt to the Ministry via the borrower's transferring the collateralized property to the Ministry in lieu of cash payment. Management believed that the fair value of the property on the date the Dation was executed was sufficient to satisfy the outstanding note balance and associated collection costs. The property has been listed and is being actively marketed. During the year ended June 30, 2019, management considered the valuation of this property through a process of soliciting a new listing broker. As a part that process, it was determined that the property was impaired and should be properly valued at \$300,000. A corresponding loss of \$387,794 was recorded in the fiscal year 2019 statement of activities.

### 7. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net, consists of the following:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 36,694	\$ 36,694
Furniture and fixtures	5,190	5,190
Vehicles	-	31,052
Computers and software	<u>28,932</u>	<u>63,360</u>
	70,816	136,296
Less accumulated depreciation	<u>(69,382)</u>	<u>(131,588)</u>
	<u>\$ 1,434</u>	<u>\$ 4,708</u>

Depreciation expense for the years ended June 30, 2020 and 2019, was \$4,081 and \$162,443, respectively.

# DESIRE STREET MINISTRIES

## Notes to Financial Statements

June 30, 2020 and 2019

8. NET ASSETS AND NET ASSET RELEASES:

Net assets with donor restrictions consist of cash contributions and pledges receivable the Ministry has received subject to donor- imposed restrictions consisting of the following:

	<u>2020</u>	<u>June 30,</u>	<u>2019</u>
Purpose restricted			
Strategic Partners	\$ -	-	\$ 44,542
Community Engagement	-	-	29,523
Thriving Index	-	-	5,119
General ministry program	-	-	75,581
Staffing	-	-	25,349
	-	-	180,114
Time restricted	10,000	-	97,000
	\$ 10,000	-	\$ 277,114

The following net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by occurrence of other events specified by donors:

	<u>2020</u>	<u>June 30,</u>	<u>2019</u>
Purpose restricted			
Strategic Partners	\$ 45,297	-	\$ 47,198
Community Engagement	29,523	-	20,477
Partner retreats	-	-	70,357
Thriving Index	5,119	-	3,825
General ministry program	80,581	-	76,919
Regional use	6,000	-	-
Staffing	25,349	-	24,549
	191,869	-	243,325
Time restricted	87,000	-	247,000
	\$ 278,869	-	\$ 490,325

# DESIRE STREET MINISTRIES

## Notes to Financial Statements

June 30, 2020 and 2019

### 9. LEASES:

The Ministry currently leases certain equipment and office space under non-cancelable operating leases. Total rent expense under these operating leases for the years ended June 30, 2020 and 2019 was \$66,964 and \$64,316, respectively.

The aggregate future minimum lease payments for the operating leases are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 15,677
2022	2,668
2023	<u>2,016</u>
	<u>\$ 20,361</u>

### 10. RETIREMENT BENEFITS:

The Ministry established a 403(b) Pension Plan that covers substantially all employees who are twenty-one years of age or older and have completed at least one year of service. Each employee is fully vested among entrance to the plan. The plan provides for participant contributions up to the maximum allowed under the Internal Revenue Code. The Ministry may make matching contributions at the discretion of the Board of Directors. For the years ended June 30, 2020 and 2019, the Ministry made matching contributions totaling \$14,139 and \$25,039, respectively.

### 11. DONOR AND REVENUE CONCENTRATIONS:

During the year ended June 30, 2020 and 2019, the Ministry received approximately 23% and 12% of its total revenue from its annual fundraising special event, respectively.

### 12. RELATED PARTY TRANSACTIONS:

The Ministry maintains bank accounts at a financial institution where a board member is an executive. The benefits received from the banking relationship greatly benefit the Ministry to the personal detriment of the bank.

### 13. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

The Ministry has experienced a disruption in normal business operations caused from COVID-19 during 2020 and subsequent to year-end. The overall impact cannot be determined through the date of this report; however, it is reasonably possible that changes in risks in the near term could occur which could result in a material change to the financial statements.