

LONG ISLAND COUNCIL OF CHURCHES, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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Independent Auditor's Report

To the Board of Directors
Long Island Council of Churches, Inc.

Report on the Financial Statements

I have audited the accompanying financial statements of Long Island Council of Churches, Inc. (a not-for profit entity) which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, 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 the 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Gary Cagnard, CPA

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Long Island Council of Churches, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing, reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Gary Cagnard, CPA

April 26, 2017

LONG ISLAND COUNCIL OF CHURCHES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 298,285
Grants and accounts receivable	84,778
Miscellaneous receivable	937
Investments	38,418
Prepaid expenses	5,945
TOTAL CURRENT ASSETS	<u>428,363</u>

NONCURRENT ASSETS

Property and equipment, at cost	
less accumulated depreciation	14,588
Security deposit	3,200
TOTAL NONCURRENT ASSETS	<u>17,788</u>

TOTAL ASSETS	<u><u>\$ 446,151</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 5,287
Accrued expenses	3,798
Deferred Grant Income	85,218
TOTAL CURRENT LIABILITIES	<u>94,303</u>

NET ASSETS

Unrestricted	272,904
Temporarily restricted	60,000
Permanently restricted	18,944
TOTAL NET ASSETS	<u>351,848</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 446,151</u></u>
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LONG ISLAND COUNCIL OF CHURCHES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
SUPPORT AND REVENUES				
Grant/contract support	\$ 142,282	\$ 0	\$ 0	\$ 142,282
Contributions - individuals	30,796	0	0	30,796
Contributions - foundations	13,000	60,000	0	73,000
Contributions - other	429,777	0	0	429,777
Contributions - in kind	221,587	0	0	221,587
Special events, net	48,358	0	0	48,358
TOTAL SUPPORT AND REVENUES	<u>885,800</u>	<u>60,000</u>	<u>0</u>	<u>945,800</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
	116,000	(116,000)	0	0
	<u>1,001,800</u>	<u>(56,000)</u>	<u>0</u>	<u>945,800</u>
OPERATING EXPENSES				
Program services	683,050	0	0	683,050
Management and general	260,546	0	0	260,546
TOTAL OPERATING EXPENSES	<u>943,596</u>	<u>0</u>	<u>0</u>	<u>943,596</u>
SUPPORT AND REVENUES IN EXCESS OF OPERATING EXPENSES				
	58,204	(56,000)	0	2,204
NON OPERATING GAINS AND LOSSES				
Miscellaneous income	1,319	0	0	1,319
Dividend and interest income	1,162	0	1,177	2,339
Unrealized gain (loss) on investments	0	0	744	744
CHANGE IN NET ASSETS	<u>60,685</u>	<u>(56,000)</u>	<u>1,921</u>	<u>6,606</u>
NET ASSETS				
Beginning of Year - January 1, 2016	<u>212,219</u>	<u>116,000</u>	<u>17,023</u>	<u>345,242</u>
Released to unrestricted assets	0	0	0	0
End of Year - December 31, 2016	<u>\$ 272,904</u>	<u>\$ 60,000</u>	<u>\$ 18,944</u>	<u>\$ 351,848</u>

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

**LONG ISLAND COUNCIL OF CHURCHES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 6,606
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	7,771
Unrealized (gain) on investments	(744)
(Increase) Decrease in:	
Grants and accounts receivables	9,986
Miscellaneous receivable	5,665
Prepaid expenses	3,660
Increase (Decrease) in:	
Accounts payable and accrued expenses	(8,903)
Deferred Grant Income	85,218
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>109,259</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(1,177)
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(1,177)</u>
NET INCREASE IN CASH	108,082
CASH - BEGINNING OF YEAR	<u>190,203</u>
CASH - END OF YEAR	<u><u>\$ 298,285</u></u>

LONG ISLAND COUNCIL OF CHURCHES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	<u>PROGRAM EXPENSES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL EXPENSES</u>
Salaries	\$ 242,973	\$ 155,744	\$ 398,717
Payroll taxes	13,599	8,492	22,091
Fringe benefits	40,373	32,802	73,175
Family support expense	43,709	0	43,709
Rent expense	36,060	7,200	43,260
Repairs and maintenance	3,366	625	3,991
Utilities	999	0	999
Telephone expense	4,669	1,979	6,648
Travel expense	4,078	2,435	6,513
Food expense	34,021	0	34,021
Food - in kind expense	221,587	0	221,587
Equipment rental	1,673	1,123	2,796
Publicity and development expense	2,404	2,410	4,814
Insurance	15,049	1,343	16,392
Professional fees	5,000	16,000	21,000
Office supplies and expense	6,482	12,724	19,206
Conferences and subscriptions	1,351	10,001	11,352
Postage expense	213	672	885
Miscellaneous expense	0	2,178	2,178
Bank and credit card fees	0	2,491	2,491
TOTAL EXPENSES BEFORE DEPRECIATION	677,606	258,219	935,825
Depreciation expense	5,444	2,327	7,771
TOTAL EXPENSES	\$ 683,050	\$ 260,546	\$ 943,596

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

LONG ISLAND COUNCIL OF CHURCHES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

The Long Island Council of Churches, Inc. is a non-profit organization whose mission is to unite diverse Christians to serve Long Islanders in need and promote interfaith cooperation and understanding. The Organization works with community leaders to implement programs and activities that assist the poor, needy and powerless throughout Long Island from all walks of life. The Organization serves individuals and families in need through its Emergency Food and Family Support Programs. The Organization has several other programs which include the Chaplaincy, Advocacy, Predatory Lending Prevention Workshops and Multi-Faith Education Programs.

B. PRESENTATION

The Organization's financial statements are presented in accordance with FASB ACS 958, "Financial Statements of Not-for-Profit Organizations." Under FASB ACS 958, Long Island Council of Churches, Inc., is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

C. DONOR UNRESTRICTED - RESTRICTED FUNDS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Unrestricted funds are available to finance the Organization's general operations and may be expended at the discretion of the Board of Directors. Internally Board designated funds are considered unrestricted. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases these net asset classes. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. Permanently restricted net assets consist of amounts held in perpetuity. Restricted earnings on these investments are included in unrestricted revenue and support unless restricted by donors.

D. REVENUE AND EXPENSE RECOGNITION

Contributions are recognized as income when received and are considered to be available for unrestricted use unless specifically restricted by the donor. Revenues under contracts for service are generally recognized as earned. Revenues from government grants are recognized when reimbursable expenditures under qualified programs are made. Revenue received under government grants is restricted as to the use specified in the grant agreement. Grant contracts are typically expended within a one-year cycle. Expenses are recognized when incurred. The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated by various rational bases.

LONG ISLAND COUNCIL OF CHURCHES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. DONATED SERVICES

Unpaid volunteers have contributed significant amounts of their time to the Organization's activities. The financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria of FASB ACS 958; as such time is not susceptible to objective measurement or valuation.

F. GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable are carried at their estimated collectible amounts. At December 31, 2016, all accounts receivable are considered collectible; accordingly, there is no allowance for uncollectibles. As of December 31, 2016 outstanding grants and accounts receivable totaled \$84,778.

G. PROPERTY AND EQUIPMENT

The Organization capitalizes property and equipment with a cost in excess of \$500 at its acquisition cost. Depreciation is provided principally on a straight line method over the estimated useful lives of the assets. The expense is recognized over the estimated useful lives of the assets, which range from 3 to 20 years.

H. 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. COMPENSATED ABSENCES

The Organization maintains a written policy with regards to compensated absences. As of January 1, 2017, non exempt salaried employees are entitled to two weeks' vacation benefits after three months of employment increasing to three weeks in year three of employment, and increasing to four weeks in year four of employment. Exempt employees are eligible for three weeks of vacation benefits after three months of employment increasing to four weeks in the second year of employment. Vacation time that is not used within the year of eligibility will be forfeited and may not be carried into the following year. Part-time employees that work 20 hours or more per week are entitled to receive compensated days off on a pro rata basis up to a maximum of twelve days per year including paid holidays.

LONG ISLAND COUNCIL OF CHURCHES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. INVESTMENTS

Investments in marketable securities with readily fair values and investments in debt securities are reported at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

K. CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents

L. IN -KIND CONTRIBUTIONS

The Organization follows U.S. generally accepted accounting principles regarding accounting for contributions received and contributions made with respect to donated product including donated food and supplies. Donated product received and distributed is accounted for at fair value. The fair value of donated product received and distributed during the year is reflected in the accompanying financial statements as in-kind contributions and in-kind expenses. Significant fluctuations in operating results may occur due to variances in quantity and valuation of donated product. Donated food received was valued based on the fair market value of the foods, as published by Feeding America. The approximate value of one pound of donated food was \$1.71 for the year ended December 31, 2016.

2. TAX-EXEMPT STATUS

Long Island Council of Churches, Inc., is exempt from income tax under section 501(c)(3) of the Internal Revenue Code. The Organization is treated as a publicly supported organization and not as a private foundation. No provision is made in these statements for income taxes, as the Organization did not have any unrelated business income for the year.

3. FAIR VALUE MEASUREMENTS

In accordance with FASB ACS 820, the financial instruments reported in the financial statements at fair value have been categorized into a three-level hierarchy using the following valuation techniques:

Level 1 inputs are instruments whose fair value is based on quoted prices in active markets for identical assets where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 provides the most reliable evidence of fair value.

LONG ISLAND COUNCIL OF CHURCHES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

3. FAIR VALUE MEASUREMENTS (continued)

Level 2 inputs are instruments whose fair value is based on factors other than quoted prices that are either directly or indirectly observable. Factors include, but are not limited to, the following: quoted prices for identical or similar assets in markets that are not active, and inputs other than quoted prices that are observable.

Level 3 inputs are instruments whose fair value is based on factors that are unobservable with little, if any, market activity. Level 3 inputs are generally based on the best information available which may include the reporting entity's own assumptions and data.

<u>Description</u>	<u>2016</u>	Quoted Prices In Active Markets for Identical Assets <u>Level 1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>
Investments at fair value as determined by quoted market price	<u>\$ 38,418</u>	<u>\$ 38,418</u>	<u>\$ 0</u>	<u>\$ 0</u>

Cost and fair value of marketable equity securities at December 31, 2016 is as follows:

Available for sale equity securities

Fair market value	\$ 38,418
Cost	<u>29,646</u>
Unrealized gain	<u>\$ 8,772</u>

The Organization determines fair values based on quoted market prices. The net unrealized holding gains on available for sale securities for the year ended December 31, 2016 was \$744.

LONG ISLAND COUNCIL OF CHURCHES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

4. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016, consisted of the following:

Vehicle	\$ 27,222
Furniture and equipment	12,603
Less: accumulated depreciation	<u>25,237</u>
	<u>\$ 14,588</u>

Depreciation expense for the year ended December 31, 2016 was \$7,771.

5. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposits accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

6. COMMITMENTS AND CONTINGENCIES

The Organization in April of 2015 entered into a five year occupancy lease agreement for its Food Program in Riverhead, New York. The lease term requires a \$1,200 monthly payment over the entire lease period. Rental expense for the year ended December 31, 2016 in connection with this lease was \$14,400.

The Organization in September of 2015 entered in a lease agreement for administrative and program space in Hempstead, New York that expired on December 31, 2016. The lease agreement is now on a month to month basis. The lease term requires a \$2,000 monthly payment. Rental expense for the year ended December 31, 2016 in connection with this lease was \$24,000.

The Organization has an office equipment lease that requires a \$233 monthly payment for sixty months. The first payment begins in July 2015 and ends June 2020. Equipment lease expense for the year ended December 31, 2016 was \$2,796.

LONG ISLAND COUNCIL OF CHURCHES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

6. COMMITMENTS AND CONTINGENCIES (continued)

On April 1, 2017, the Organization entered into a two year lease agreement for occupancy space in Freeport, New York for its Food Program. The lease term requires a monthly payment of \$800 for the first year of the lease and \$824 for the second year of the lease. The lease term maybe terminated with written notification not less than 120 days in advance of March 31, 2019.

Future minimum lease payments as of December 31, 2016 are as follows:

<u>YEAR ENDING</u> <u>DECEMBER 31,</u>	
2017	\$ 26,826
2018	27,012
2019	19,668
2020	<u>6,198</u>
	<u>\$ 79,704</u>

The Organization has a pledge commitment from the Episcopal Diocese of Long Island to cover the reduction in the Nassau County Department of Social Services Contract. The amount of the pledge commitment is for \$40,000 a year for the years 2015, 2016 and 2017. During 2016 the Organization received \$40,000 of this commitment pledge from the Diocese. The remaining pledged commitment at December 31, 2016 is \$40,000.

In 2016, the Organization received a copy of a Trust Accounting Report that was filed with the Surrogates Court of the State of New York in Suffolk County. The Trust Accounting Report lists the Organization with having a 10% beneficiary trust interest that is valued at approximately \$250,000. The Organization in June 2016 received a partial distribution in the amount of \$161,295. The remaining trust account balance of \$88,705 is pending review and adjustment by the Surrogate's Court of Suffolk County.

7. SUBSEQUENT EVENTS

In connection with the preparation of the financial statements and in accordance with ASC Topic 855, the Organization has evaluated subsequent events through April 26, 2017 the date the financial statements were available for issuance.

8. UNCERTAIN INCOME TAX POSITIONS

The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

LONG ISLAND COUNCIL OF CHURCHES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

9. SPECIAL EVENTS

Special event activities are netted on the statement of activities. Gross special event revenues and expenses for the year ended December 31, 2016 are as follows:

Special events revenue	\$ 71,426
Special events expense	<u>23,068</u>
Special events, net	<u>\$ 48,358</u>

SUPPLEMENTARY INFORMATION

LONG ISLAND COUNCIL OF CHURCHES, INC.
 SUPPLEMENTARY SCHEDULE OF PROGRAM EXPENSES
 YEAR ENDED DECEMBER 31, 2016

	CHAPLAINCY PROGRAM	EMERGENCY FAMILY SUPPORT	EMERGENCY FOOD PROGRAM	OTHER PROGRAMS	TOTAL PROGRAMS
Salaries	\$ 43,257	\$ 47,924	\$ 138,805	\$ 12,987	\$ 242,973
Payroll taxes	41	2,658	10,852	48	13,599
Fringe benefits	787	12,309	23,073	4,204	40,373
Family support expense	1,672	42,037	0	0	43,709
Rent expense	0	21,200	14,860	0	36,060
Repairs and maintenance	0	1,331	2,035	0	3,366
Utilities	0	496	503	0	999
Telephone expense	0	2,743	1,926	0	4,669
Travel expense	0	369	3,512	197	4,078
Food	838	1,024	32,159	0	34,021
Food - in kind	0	0	221,587	0	221,587
Equipment rental	0	0	1,673	0	1,673
Publicity and development expense	0	268	2,136	0	2,404
Insurance	34	4,166	10,545	304	15,049
Office supplies and expense	1,006	397	5,079	0	6,482
Professional fees	0	0	5,000	0	5,000
Conferences and subscriptions	26	598	550	177	1,351
Postage expense	4	0	197	12	213
TOTAL EXPENSES	\$ 47,665	\$ 137,520	\$ 474,492	\$ 17,929	\$ 677,606

The accompanying notes to the financial statements
 should be read in conjunction with this schedule.