

REYNOLDA CHURCH

Financial Statements
With Independent Accountants' Review Report

December 31, 2017

FINAL DRAFT

REYNOLDA CHURCH

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FINAL DRAFT

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Session
Reynolda Church
Winston-Salem, NC

We have reviewed the accompanying financial statements of Reynolda Church, which comprise the statement of financial position as of December 31, 2017, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our report.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The Session
Reynolda Church
Winston-Salem, NC

Supplementary Information

The accompanying supplementary schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic 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 supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Columbia, South Carolina
DATE

FINAL DRAFT

REYNOLDA CHURCH

Statement of Financial Position

December 31, 2017

ASSETS:

Cash and cash equivalents	\$ 723,202
Accounts receivable and other assets	46,224
Property and equipment—net	<u>2,549,399</u>

Total Assets

\$ 3,318,825

LIABILITIES AND NET ASSETS:

Liabilities:

Accounts payable	\$ 49,342
Accrued expenses	97,464
Deferred revenue	23,191
Capital lease obligation	<u>41,960</u>
	<u>211,957</u>

Net assets:

Unrestricted:

Undesignated	294,692
Equity in property and equipment	<u>2,507,439</u>
	2,802,131
Temporarily restricted	<u>304,737</u>
	<u>3,106,868</u>

Total Liabilities and Net Assets

\$ 3,318,825

See accompanying notes and independent accountants' review report

REYNOLDA CHURCH

Statement of Activities

Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Support:			
Tithes and offerings	\$ 1,797,384	\$ -	\$ 1,797,384
Expansion	-	321,971	321,971
Missions and outreach	-	276,134	276,134
	<u>1,797,384</u>	<u>598,105</u>	<u>2,395,489</u>
Revenue:			
Preschool income	257,212	-	257,212
General activity income	20,673	-	20,673
Other income	51,314	-	51,314
Total Support and Revenue	<u>2,126,583</u>	<u>598,105</u>	<u>2,724,688</u>
RECLASSIFICATIONS:			
Net assets released from restrictions	<u>598,922</u>	<u>(598,922)</u>	<u>-</u>
EXPENSES:			
Program activities:			
Outreach	450,690	-	450,690
Worship	510,387	-	510,387
Fellowship	5,622	-	5,622
Adult discipleship	136,535	-	136,535
Student discipleship	672,830	-	672,830
Ministry	123,614	-	123,614
	<u>1,899,678</u>	<u>-</u>	<u>1,899,678</u>
Supporting activities:			
General and administrative	965,048	-	965,048
Total Expenses	<u>2,864,726</u>	<u>-</u>	<u>2,864,726</u>
Change in Net Assets	(139,221)	(817)	(140,038)
Net Assets, Beginning of Year	<u>2,941,352</u>	<u>305,554</u>	<u>3,246,906</u>
Net Assets, End of Year	<u>\$ 2,802,131</u>	<u>\$ 304,737</u>	<u>\$ 3,106,868</u>

See accompanying notes and independent accountants' review report

REYNOLDA CHURCH

Statement of Cash Flows

Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (140,038)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	164,546
Contributions restricted for expansion	(321,971)
Changes in operating assets and liabilities:	
Accounts receivable and other assets	(3,647)
Accounts payable	17,113
Accrued expenses	15,075
Deferred revenue	3,592
Net Cash Used by Operating Activities	<u>(265,330)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(156,039)
Net Cash Used by Investing Activities	<u>(156,039)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on capital lease obligations	(12,072)
Contributions restricted for expansion	321,971
Net Cash Provided by Financing Activities	<u>309,899</u>

Net Change in Cash and Cash Equivalents	(111,470)
Cash and Cash Equivalents, Beginning of Year	<u>834,672</u>
Cash and Cash Equivalents, End of Year	<u>\$ 723,202</u>

See accompanying notes and independent accountants' review report

REYNOLDA CHURCH

Notes to Financial Statements

December 31, 2017

1. NATURE OF ORGANIZATION:

Reynolda Church (The Church) is incorporated under the laws of the state of North Carolina as a nonprofit religious corporation. The Church was organized in 1914. It incorporated on January 28, 1985 and affiliated with the Evangelical Presbyterian Church in 1987. The Church's mission is to Love God, Love Each Other, Love the World. The Church is dedicated to spreading the gospel through establishing, developing, and promoting all aspects of Church ministry within Winston-Salem, North Carolina, and the surrounding communities. The Church is exempt from federal income taxes under Internal Revenue Code (Code) Section 501(c)(3) and comparable state law and is classified as a publically supported organization, which is not a private foundation, under Section 509(a)(1) of the Code. The primary activities of the Church are church services and related events. The Church's primary source of income is contributions. The Church operates a preschool which is supported by fees charged to parents and guardians of the children.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Church have been prepared on the accrual basis of accounting. 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 the Church's financial statements in conformity with accounting principles generally accepted in the United States 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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of checking accounts, savings accounts, and petty cash. At December 31, 2017, the Church's cash balances exceeded federally insured limits by \$344,198. The Church does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

ACCOUNTS RECEIVABLE AND OTHER ASSETS

Accounts receivable and other assets consists of sales tax receivable, preschool tuition receivable and prepaid expenses. Experience has shown that the receivables are collectible with a high degree of reliability. Accordingly no allowance is recorded.

REYNOLDA CHURCH

Notes to Financial Statements

December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT

Property, buildings, and equipment is stated at cost, if purchased, or fair value if donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets: furniture and equipment (3-10 years), building improvements (10 years), and buildings (30 years). The Church capitalizes all property and equipment with a cost or value in excess of \$2,000.

CLASSES OF NET ASSETS

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

Unrestricted amounts are currently available at the discretion of the board of directors for use in operations. Equity in property and equipment represent amounts invested in property and equipment net of accumulated depreciation and related debt.

Temporarily restricted amounts 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.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

REVENUES, EXPENSES, AND RECLASSIFICATIONS

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 Church.

The Church reports gifts of cash and other assets as restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfaction of purpose restrictions. The Church shows restricted contributions whose restrictions are met in the same reporting period as unrestricted contributions on the statement of activities.

REYNOLDA CHURCH

Notes to Financial Statements

December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUES, EXPENSES, AND RECLASSIFICATIONS, continued

Donated goods (including securities, property, and equipment) are recorded at fair value at the date of the gift. Donated services are recorded if they create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing various program services and supporting activities of the Church have been summarized on a functional basis in the statement of activities. Accordingly, depreciation, insurance and utilities expense have been allocated among the program services and supporting activities benefited. Interest income and gains or losses on disposals of assets or liabilities do not meet the Organization's criteria for operating activities and are included with other revenue and expenses.

3. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net, consists of:

Land	\$ 220,170
Buildings and building improvements	4,457,482
Equipment	637,827
Vehicles	99,483
Furniture and fixtures	811,000
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	6,225,962
Less accumulated depreciation	(3,676,563)
	<hr/>
	2,549,399
Less capital lease obligations	(41,960)
	<hr/>
Equity in property and equipment	<u><u>\$ 2,507,439</u></u>

REYNOLDA CHURCH

Notes to Financial Statements

December 31, 2017

4. COMMITMENTS AND CONTINGENCIES:

The Church is obligated under two capital leases that expire during 2019 and 2020 for a phone system and photocopier, respectively. The gross amount of equipment and related accumulated amortization recorded under these capital leases was as follows:

Equipment	\$ 70,665
Less accumulated amortization	(41,960)
	<u>\$ 28,705</u>

Future minimum capital lease payments as of December 31, 2017, are:

<u>Year Ending December 31,</u>	<u>Amounts</u>
2018	\$ 28,746
2019	28,746
2020	3,492
	<u>60,984</u>
Less amount representing interest	(19,024)
	<u>\$ 41,960</u>

The Church leases two spaces for Sunday worship and an office in Kernersville under long-term operating leases. Rental expense was \$62,897 for the year ended December 31, 2017. The Church's current leases expire in 2018 and 2020. Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2017, were as follows:

<u>Years Ending December 31,</u>	<u>Amounts</u>
2018	\$ 53,016
2019	32,736
2020	20,096
	<u>\$ 105,848</u>

REYNOLDA CHURCH

Notes to Financial Statements

December 31, 2017

5. NET ASSETS:

Net assets consist of:

Unrestricted:

Unreserved	\$	150,815
Capital reserve		6,151
Committed cash reserve		118,437
Audit reserve		19,289
		<hr/>
		294,692
Equity in property and equipment		2,507,439
		<hr/>
		2,802,131

Temporarily restricted:

Missions and outreach		114,313
Expansion		172,779
Benevolence		17,645
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		304,737
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	\$	<u>3,106,868</u>

6. RETIREMENT PROGRAM:

The Church sponsors a traditional retirement plan through the Evangelical Presbyterian Church Denomination, which is held with Fidelity. All full-time employees are eligible to participate in the retirement program. The Church contributes 10% for all Evangelical Presbyterian Church pastors and 4.5% for all other full time employees. Employees make additional voluntary contributions from their salary. Employer contributions to the plan totaled \$39,356 for the year ended December 31, 2017.

7. RELATED PARTIES:

The Church contributed funds to Sharing The Light (STL), a para-church ministry formed by their senior pastor. STL is not under control of the Church and functions under a separate board. For the year ended December 31, 2017, the Church donated \$65,544 to STL in direct support of the organization's mutual goal of spreading the gospel.

The Church is a member of the Evangelical Presbyterian Church Denomination, who provides pastors and denominational oversight. For the year ended December 31, 2017, the Church provided \$32,496 to the Evangelical Presbyterian Church denomination in support of the overall denominational mission.

8. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through _____, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

FINAL DRAFT

REYNOLDA CHURCH

Schedule of Functional Expenses

Year Ended December 31, 2017

	Program Activities						Total Program	General and Administrative	Total
	Outreach	Worship	Fellowship	Adult Discipleship	Student Discipleship	Ministry			
Personnel	\$ 71,066	\$318,112	\$ 442	\$ 63,868	\$ 414,499	\$ 80,918	\$ 948,905	\$ 495,382	\$1,444,287
Benevolence	-	-	-	-	-	15,805	15,805	-	15,805
Contract services	37,427	38,306	957	9,624	48,457	8,610	143,381	131,083	274,464
Equipment	5,426	69,861	5	129	23,992	117	99,530	137,425	236,955
Supplies	5,689	14,143	1,306	7,834	65,673	1,994	96,639	62,826	159,465
Utilities	9,848	13,556	117	3,159	16,313	3,410	46,403	38,400	84,803
Insurance-property	3,912	4,440	50	1,188	6,195	1,073	16,858	16,243	33,101
Training	272	464	3	430	1,150	1,791	4,110	1,874	5,984
Conferences and retreats	570	11	387	544	42,392	3	43,907	40	43,947
Travel	687	2,176	6	137	679	217	3,902	1,879	5,781
Financial services	-	-	-	-	-	-	-	15,339	15,339
Missions support	315,174	-	-	-	-	-	315,174	-	315,174
Licensure	-	920	-	-	397	-	1,317	1,415	2,732
Other expenses	619	9,193	1,740	11,628	13,208	9,543	45,931	16,412	62,343
Depreciation	-	39,205	609	37,994	39,875	133	117,816	46,730	164,546
Total	\$ 450,690	\$510,387	\$ 5,622	\$ 136,535	\$ 672,830	\$123,614	\$1,899,678	\$ 965,048	\$2,864,726