



REYNOLDA PRESBYTERIAN CHURCH,  
WINSTON-SALEM, NORTH CAROLINA,  
EVANGELICAL PRESBYTERIAN CHURCH

Financial Statements  
With Independent Accountants' Review Report

December 31, 2018

# REYNOLDA CHURCH

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## 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, 2018 and 2017, and the related statement of activities and cash flows for the year then ended, the statement of functional expenses for the year ended December 31, 2018, 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

***Emphasis of matter***

Reynolda Church has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No.2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the December 31, 2018 and 2017 financial statements. Our conclusion has not been modified with respect to this matter.

*Capin Crouse LLP*

Columbia, South Carolina  
June 12, 2019

# REYNOLDA CHURCH

## Statements of Financial Position

	December 31,	
	2018	2017
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 865,250	\$ 723,202
Accounts receivable and other assets	36,293	46,224
Property and equipment–net	2,455,365	2,549,399
<b>Total Assets</b>	<b>\$ 3,356,908</b>	<b>\$ 3,318,825</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 40,031	\$ 49,342
Accrued expenses	101,866	97,464
Deferred revenue	23,152	23,191
Capital lease obligation	25,792	41,960
	190,841	211,957
<b>Net assets:</b>		
Without donor restriction:		
Undesignated	221,781	150,815
Session designated	65,063	143,877
Equity in property and equipment	2,429,573	2,507,439
	2,716,417	2,802,131
With donor restriction	449,650	304,737
	3,166,067	3,106,868
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,356,908</b>	<b>\$ 3,318,825</b>

See independent accountants' review report

# REYNOLDA CHURCH

## Statement of Activities

Year Ended December 31, 2018

	Without Donor Restriction	With Donor Restriction	Total
<b>SUPPORT AND REVENUE:</b>			
Support:			
Tithes and offerings	\$ 2,104,820	\$ -	\$ 2,104,820
Expansion	-	399,490	399,490
Missions and outreach	-	325,272	325,272
	<u>2,104,820</u>	<u>724,762</u>	<u>2,829,582</u>
Revenue:			
Preschool income	284,483	-	284,483
Church activity income	23,369	-	23,369
Loss on disposal of asset	(7,328)	-	(7,328)
Other income	70,932	-	70,932
Total Support and Revenue	<u>2,476,276</u>	<u>724,762</u>	<u>3,201,038</u>
<b>RECLASSIFICATIONS:</b>			
Net assets released from restrictions	<u>579,849</u>	<u>(579,849)</u>	<u>-</u>
<b>EXPENSES:</b>			
Program activities:			
Outreach	464,875	-	464,875
Worship	501,402	-	501,402
Adult discipleship	140,251	-	140,251
Student discipleship	699,747	-	699,747
Church ministry	126,976	-	126,976
	<u>1,933,251</u>	<u>-</u>	<u>1,933,251</u>
Supporting activities:			
General and administrative	1,173,560	-	1,173,560
Fundraising	35,028	-	35,028
	<u>1,208,588</u>	<u>-</u>	<u>1,208,588</u>
Total Expenses	<u>3,141,839</u>	<u>-</u>	<u>3,141,839</u>
Change in Net Assets	(85,714)	144,913	59,199
Net Assets, Beginning of Year	<u>2,802,131</u>	<u>304,737</u>	<u>3,106,868</u>
Net Assets, End of Year	<u>\$ 2,716,417</u>	<u>\$ 449,650</u>	<u>\$ 3,166,067</u>

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# REYNOLDA CHURCH

## Statement of Activities

Year Ended December 31, 2017

	Without Donor Restriction	With Donor Restriction	Total
<b>SUPPORT AND REVENUE:</b>			
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>
<b>RECLASSIFICATIONS:</b>			
Net assets released from restrictions	<u>598,922</u>	<u>(598,922)</u>	<u>-</u>
<b>EXPENSES:</b>			
Program activities:			
Outreach	438,194	-	438,194
Worship	503,513	-	503,513
Adult discipleship	136,535	-	136,535
Student discipleship	660,334	-	660,334
Church ministry	123,614	-	123,614
	<u>1,862,190</u>	<u>-</u>	<u>1,862,190</u>
Supporting activities:			
General and administrative	<u>1,002,536</u>	<u>-</u>	<u>1,002,536</u>
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>

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## REYNOLDA CHURCH

### Statement of Functional Expenses

Year Ended December 31, 2018

	Program Activities					Support Services					2017 Total
	Outreach	Worship	Adult Discipleship	Student Discipleship	Church Ministry	Total Program	Management and General	Fundraising	Total Support	Total	
Salaries and benefits	\$ 72,457	\$376,139	\$ 71,499	\$ 478,690	\$ 84,566	\$1,083,351	\$ 587,826	\$ -	\$ 587,826	\$1,671,177	\$ 1,444,287
Benevolence	-	-	-	-	19,712	19,712	-	-	-	19,712	15,805
Contract services	5,113	41,645	1,935	8,392	1,402	58,487	223,720	27,578	251,298	309,785	274,464
Repairs and equipment	237	16,512	2,340	43,424	65	62,578	23,911	-	23,911	86,489	236,955
Supplies	5,162	10,973	15,031	74,793	10,247	116,206	97,822	7,450	105,272	221,478	159,465
Utilities	1,133	1,155	1,754	4,314	963	9,319	82,160	-	82,160	91,479	84,803
Insurance-property	-	-	-	384	-	384	29,352	-	29,352	29,736	33,101
Training and conferences	441	10,092	6,798	39,971	2,115	59,417	10,119	-	10,119	69,536	49,931
Travel	743	852	226	1,112	1,158	4,091	3,826	-	3,826	7,917	5,781
Financial services	-	-	-	-	-	-	19,753	-	19,753	19,753	15,339
Missions support	378,770	-	-	-	-	378,770	-	-	-	378,770	315,174
Licensure	-	907	-	-	-	907	3,140	-	3,140	4,047	2,732
Other expenses	819	4,341	2,674	8,792	6,615	23,241	44,899	-	44,899	68,140	62,343
Depreciation	-	38,786	37,994	39,875	133	116,788	47,032	-	47,032	163,820	164,546
<b>Total</b>	<b>\$464,875</b>	<b>\$501,402</b>	<b>\$ 140,251</b>	<b>\$ 699,747</b>	<b>\$126,976</b>	<b>\$1,933,251</b>	<b>\$ 1,173,560</b>	<b>\$ 35,028</b>	<b>\$1,208,588</b>	<b>\$3,141,839</b>	<b>\$ 2,864,726</b>

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# REYNOLDA CHURCH

## Statement of Cash Flows

	Year Ended December 31,	
	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 59,199	\$ (140,038)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	163,820	164,546
Contributions restricted for expansion	(399,490)	(321,971)
Loss on disposal of property, plant and equipment	7,328	-
Changes in operating assets and liabilities:		
Accounts receivable and other assets	9,931	(3,647)
Accounts payable	(9,311)	17,113
Accrued expenses	4,402	15,075
Deferred revenue	(39)	3,592
Net Cash Used by Operating Activities	<u>(164,160)</u>	<u>(265,330)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(77,114)	(156,039)
Net Cash Used by Investing Activities	<u>(77,114)</u>	<u>(156,039)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on capital lease obligations	(16,168)	(12,072)
Contributions restricted for expansion	399,490	321,971
Net Cash Provided by Financing Activities	<u>383,322</u>	<u>309,899</u>
Net Change in Cash and Cash Equivalents	142,048	(111,470)
Cash and Cash Equivalents, Beginning of Year	<u>723,202</u>	<u>834,672</u>
Cash and Cash Equivalents, End of Year	<u>\$ 865,250</u>	<u>\$ 723,202</u>

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# REYNOLDA CHURCH

## Notes to Financial Statements

December 31, 2018 and 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 consist of checking accounts, savings accounts, and petty cash. At December 31, 2018 and 2017, the Church's cash balances exceeded federally insured limits by \$555,344 and \$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.

### 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), land improvements (10-20 years), building improvements (30 years), and buildings (30 years). The Church capitalizes all property and equipment with a cost or value in excess of \$2,000.

# REYNOLDA CHURCH

## Notes to Financial Statements

December 31, 2018 and 2017

### 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 restriction* amounts are currently available at the discretion of the session for use in operations. Session designated net assets are earmarked by the session for a specific purpose and are to be used for that purpose unless the session approves otherwise. Equity in property and equipment represent amounts invested in property and equipment net of accumulated depreciation and related debt.

*Net assets with donor restriction* 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 general 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, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as satisfaction of purpose restrictions.

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 and salaries and benefits expense have been allocated among the program services and supporting activities benefited. Depreciation is allocated on an asset usage basis and salaries and benefits are allocated based on time and effort.

# REYNOLDA CHURCH

## Notes to Financial Statements

December 31, 2018 and 2017

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Church's financial assets as of the statement of financial position date. The Church also has \$65,063 in session designated financial assets that could be used to fund general expenditures within one year, if approved by the session. Also, the Church has a \$500,000 line of credit that could be drawn upon, if needed to meet cash needs for general expenditures within one year.

Financial assets available to meet cash needs for general expenditures within one year:

Cash and cash equivalents	\$ 865,250
Accounts receivable	28,076
	893,326
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with purpose restrictions	(352,036)
Session designations:	
Audit reserve	(15,539)
Capital reserve	(49,524)
	(417,099)
Financial assets available to meet cash needs for general expenditures within one year	\$ 476,227

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net, consists of:

	December 31,	
	2018	2017
Land and improvements	\$ 288,977	\$ 220,170
Buildings and building improvements	4,457,482	4,457,482
Furniture and equipment	1,448,506	1,448,827
Vehicles	97,110	99,483
	6,292,075	6,225,962
Less accumulated depreciation	(3,836,710)	(3,676,563)
	2,455,365	2,549,399
Less capital lease obligations	(25,792)	(41,960)
Equity in property and equipment	\$ 2,429,573	\$ 2,507,439

# REYNOLDA CHURCH

## Notes to Financial Statements

December 31, 2018 and 2017

5. 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:

	December 31,	
	2018	2017
Equipment	\$ 70,665	70,665
Less accumulated amortization	(55,276)	(41,960)
	\$ 15,389	\$ 28,705

Future minimum capital lease payments as of December 31, 2018, are:

Year Ending December 31,	Amounts
2019	\$ 28,746
2020	3,492
	32,238
Less amount representing interest	(6,446)
Present value of net minimum capital lease payments	\$ 25,792

The Church leases two spaces for Sunday worship and an office in Kernersville under long-term operating leases. Rental expense was \$76,687 and \$62,897 for the years ended December 31, 2018 and 2017, respectively. The Church's current leases expire in 2020. Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2018, were as follows:

Years Ending December 31,	Amounts
2019	\$ 53,484
2020	26,284
	\$ 79,768

# REYNOLDA CHURCH

## Notes to Financial Statements

December 31, 2018 and 2017

6. NET ASSETS:

Net assets consist of:

	December 31,	
	2018	2017
Without donor restriction:		
Undesignated	\$ 221,781	\$ 150,815
Session designated:		
Capital reserve	49,524	6,151
Committed cash reserve	-	118,437
Audit reserve	15,539	19,289
	<u>65,063</u>	<u>143,877</u>
Equity in property and equipment	<u>2,429,573</u>	<u>2,507,439</u>
	<u>2,716,417</u>	<u>2,802,131</u>
With donor restriction:		
Missions and outreach	77,519	114,313
Expansion	352,036	172,779
Benevolence	20,095	17,645
	<u>449,650</u>	<u>304,737</u>
	<u>\$ 3,166,067</u>	<u>\$ 3,106,868</u>

7. 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 \$41,240 and \$39,356 for the years ended December 31, 2018 and 2017, respectively.

# REYNOLDA CHURCH

## Notes to Financial Statements

December 31, 2018 and 2017

8. 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 years ended December 31, 2018 and 2017, the Church donated \$58,000 and \$65,544, respectively, 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 years ended December 31, 2018 and 2017, the Church provided \$32,592 and \$32,496, respectively, to the Evangelical Presbyterian Church denomination in support of the overall denominational mission.

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through June 12, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.