

BROOKWOOD CHURCH

Financial Statements
With Independent Auditors' Report

Thirteen Months Ended September 30, 2012

BROOKWOOD CHURCH

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INDEPENDENT AUDITORS' REPORT

Advisory Committee
Brookwood Church
Simpsonville, South Carolina

We have audited the accompanying statement of financial position of Brookwood Church as of September 30, 2012, and the related statements of activities and cash flows for the thirteen months then ended. These financial statements are the responsibility of the organization's management. 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. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brookwood Church as of September 30, 2012, and the changes in its net assets and cash flows for the thirteen months then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 of the notes to the financial statements, Brookwood Church changed its fiscal year end from August 31 to September 30 for the period ended September 30, 2012. Accordingly, the statements of activities and cash flows each present the thirteen months ended September 30, 2012.

Capin Crouse LLP

Atlanta, Georgia
January 10, 2013

BROOKWOOD CHURCH

Statement of Financial Position

September 30, 2012

ASSETS:

Cash and cash equivalents	\$ 95,206
Bookstore inventory	24,750
Prepaid expenses	2,070
Land held for sale	1,206,000
Property and equipment—net	<u>20,974,982</u>

Total Assets \$ 22,303,008

LIABILITIES AND NET ASSETS:

Accounts payable	\$ 43,068
Accrued expenses	137,598
Deferred revenue	5,161
Note payable	<u>2,109,002</u>
	<u>2,294,829</u>

Net assets:

Unrestricted	19,518,975
Temporarily restricted	<u>489,204</u>
	<u>20,008,179</u>

Total Liabilities and Net Assets \$ 22,303,008

See notes to financial statements

BROOKWOOD CHURCH

Statement of Activities

Thirteen Months Ended September 30, 2012

	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:			
Contributions	\$ 6,295,006	\$ 955,983	\$ 7,250,989
Program revenue	1,220,697	-	1,220,697
Gain on sale of assets	15,342	-	15,342
Other income	2,591	-	2,591
Net assets released from purpose restrictions	753,975	(753,975)	-
	8,287,611	202,008	8,489,619
EXPENSES:			
Program services:			
Care for the Hurting	681,966	-	681,966
Save the Lost	910,553	-	910,553
Gather for Worship	1,154,529	-	1,154,529
Connect Through Community	308,348	-	308,348
Reach the Next Generation	1,159,823	-	1,159,823
	4,215,219	-	4,215,219
Supporting activities:			
Management and general	3,868,795	-	3,868,795
	8,084,014	-	8,084,014
Total Expenses	8,084,014	-	8,084,014
Change in Net Assets	203,597	202,008	405,605
Net Assets, Beginning of Year	19,315,378	287,196	19,602,574
Net Assets, End of Year	\$ 19,518,975	\$ 489,204	\$ 20,008,179

See notes to financial statements

BROOKWOOD CHURCH

Statement of Cash Flows

Thirteen Months Ended September 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 405,605
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	1,157,726
Gains on disposal of property and equipment	(15,342)
Change in value of interest rate swap	(3,456)
Changes in operating assets and liabilities:	
Inventory	598
Prepaid expenses	1,528
Accounts payable	(131,280)
Accrued expenses	37,745
Deferred revenue	(23,571)
Net Cash Provided by Operating Activities	<u>1,429,553</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(85,831)
Proceeds from the sale of property and equipment	16,786
Net Cash Used by Investing Activities	<u>(69,045)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from long-term debt under sweep agreement	2,892,624
Payments on long-term debt under sweep agreement	(4,174,622)
Net Cash Used by Financing Activities	<u>(1,281,998)</u>

Net Change in Cash and Cash Equivalents 78,510

Cash and Cash Equivalents, Beginning of Year 16,696

Cash and Cash Equivalents, End of Year \$ 95,206

SUPPLEMENTAL DISCLOSURE:

Cash paid for interest \$ 56,701

See notes to financial statements

BROOKWOOD CHURCH

Notes to Financial Statements

Thirteen Months Ended September 30, 2012

1. NATURE OF ORGANIZATION:

Brookwood Church (Church), organized in 1994 in Greenville, South Carolina, is a nonprofit organization operating as a religious organization under the laws of the State of South Carolina. The Church is dedicated to encouraging each other toward loving God and people by pursuing the priorities of the early church: Care for the Hurting, Save the Lost, Gather for Worship, Connect through Community, and Reach the Next Generation.

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.

CHANGE IN FISCAL YEAR END

During the thirteen months ended September 30, 2012, the Church decided to change its fiscal year end from August 31 to September 30. Accordingly, these financial statements cover the thirteen months from September 1, 2011 through September 30, 2012.

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 includes checking accounts, savings accounts, and petty cash. While occasionally bank deposits may be in excess of federally insured limits, the Church has not experienced any losses in such accounts, and management believes that it is not exposed to any significant credit risk on cash and cash equivalents.

INVENTORY

Inventory consists primarily of books and goods available for sale in the bookstore. Inventory is stated at the lower of cost or market value on the first-in, first-out basis.

BROOKWOOD CHURCH

Notes to Financial Statements

Thirteen Months Ended September 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT

Items capitalized as property and equipment are stated at cost or, if donated, at fair value on the date of donation. The Church reports donations of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Church reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3-39 years. The Church generally capitalizes and reports property and equipment acquisitions in excess of \$1,000.

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 advisory committee 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 statements 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.

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 statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

BROOKWOOD CHURCH

Notes to Financial Statements

Thirteen Months Ended September 30, 2012

3. LAND HELD FOR SALE:

Land held for sale is recorded at the lower of cost or fair market value, and consists of:

Land plot #1	\$ 636,000
Land plot #2	570,000
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	\$ 1,206,000
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4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net, consists of:

Buildings	\$ 14,797,003
Land and land improvements	7,119,609
Equipment	4,832,036
Furniture and fixtures	1,235,678
Vehicles	62,142
	<hr/>
	28,046,468
Less accumulated depreciation	(7,071,486)
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	\$ 20,974,982
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5. NOTE PAYABLE:

Note payable consists of a line of credit due to bank, with a balance at September 30, 2012, of \$2,109,000. Interest is due in monthly installments based on 6 month LIBOR rate plus 1.2% which at September 30, 2012, was 1.94%. The amount of credit available under this line was originally \$7,000,000. Beginning in March 2009, this amount is being reduced by \$100,000 per calendar quarter. The amount available at September 30, 2012, is \$5,600,000. The Church entered into a sweep agreement with the bank in connection with this line of credit. Under this arrangement, available cash balances will be used to offset the debt balances. A final payment of all outstanding principal and interest is due August 2015. Debt is collateralized by building and land.

BROOKWOOD CHURCH

Notes to Financial Statements

Thirteen Months Ended September 30, 2012

6. LEASES:

The Church is a lessee of equipment under long-term operating leases. Rental expense under operating leases was \$39,834 for the thirteen months ended September 30, 2012. Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of September 30, 2012, were as follows:

<u>Years Ending December 31,</u>	
2013	\$ 41,029
2014	39,729
2015	30,959
2016	15,302
2017	13,825
Thereafter	<u>7,231</u>
	<u>\$ 148,075</u>

7. NET ASSETS:

Net assets consist of:

Unrestricted:

Undesignated	\$ 652,995
Equity in property and equipment	<u>18,865,980</u>
	<u>19,518,975</u>

Temporarily restricted:

Missions Support	321,693
HR Designated Fund	56,188
Benevolence	81,697
Pastor's Designated	14,649
Future Capital Projects	<u>14,977</u>
	<u>489,204</u>
	<u>\$ 20,008,179</u>

8. EMPLOYEE BENEFITS:

The Church participates in a national retirement plan provided and administered by Guidestone Financial Resources. All pastors and full-time employees are eligible for the program. The Church makes contributions on behalf of eligible employees based on a percentage of their salary. The total retirement expenses for the thirteen months ended September 30, 2012, were \$113,334.

BROOKWOOD CHURCH

Notes to Financial Statements

Thirteen Months Ended September 30, 2012

9. SUBSEQUENT EVENTS:

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