



BROOKWOOD CHURCH

Financial Statements
With Independent Auditors' Report

September 30, 2019 and 2018

BROOKWOOD CHURCH

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INDEPENDENT AUDITORS' REPORT

Advisory Committee
Brookwood Church
Simpsonville, South Carolina

We have audited the accompanying financial statements of Brookwood Church, which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities and cash flows for the years 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; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 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.

Advisory Committee
Brookwood Church
Simpsonville, South Carolina

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, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, Brookwood Church adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This has had a material effect on the presentation of the September 30, 2019 and 2018 financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Columbia, South Carolina
February 11, 2020

BROOKWOOD CHURCH

Statements of Financial Position

	September 30,	
	2019	2018
ASSETS:		
Cash and cash equivalents	\$ 959,266	\$ 912,651
Other assets	69,630	50,956
Property and equipment—net	16,979,496	17,153,829
Total Assets	\$ 18,008,392	\$ 18,117,436
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 13,604	\$ 78,930
Accrued expenses	165,247	153,932
Deferred revenue	23,915	28,509
Capital lease obligation	43,595	54,227
	246,361	315,598
Net assets:		
Without donor restrictions	17,753,801	17,801,838
With donor restrictions	8,230	-
	17,762,031	17,801,838
Total Liabilities and Net Assets	\$ 18,008,392	\$ 18,117,436

See notes to financial statements

BROOKWOOD CHURCH

Statement of Activities

Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	\$ 7,390,432	\$ 8,230	\$ 7,398,662
Program revenue	1,236,420	-	1,236,420
Other income	10,901	-	10,901
Total Support and Revenue	8,637,753	8,230	8,645,983
RECLASSIFICATIONS:			
Net assets released from purpose restrictions	-	-	-
EXPENSES:			
Program services:			
Communicating with God	858,974	-	858,974
Caring for Others at Brookwood	997,432	-	997,432
Caring for Others—Community & World	1,856,799	-	1,856,799
Connecting with Christians—Families	2,820,418	-	2,820,418
Connecting with Christians—Discipleship	886,938	-	886,938
	7,420,561	-	7,420,561
Supporting activities:			
Management and general	1,265,229	-	1,265,229
Total Expenses	8,685,790	-	8,685,790
Change in Net Assets	(48,037)	8,230	(39,807)
Net Assets, Beginning of Year	17,801,838	-	17,801,838
Net Assets, End of Year	\$ 17,753,801	\$ 8,230	\$ 17,762,031

See notes to financial statements

BROOKWOOD CHURCH

Statement of Activities

Year Ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	\$ 7,350,580	\$ -	\$ 7,350,580
Program revenue	1,214,392	-	1,214,392
Other income	4,181	-	4,181
Total Support and Revenue	8,569,153	-	8,569,153
RECLASSIFICATIONS:			
Net assets released from purpose restrictions	5,072	(5,072)	-
EXPENSES:			
Program services:			
Communicating with God	936,802	-	936,802
Caring for Others at Brookwood	973,288	-	973,288
Caring for Others–Community & World	1,756,828	-	1,756,828
Connecting with Christians–Families	2,806,529	-	2,806,529
Connecting with Christians–Discipleship	891,835	-	891,835
	7,365,282	-	7,365,282
Supporting activities:			
Management and general	1,345,233	-	1,345,233
Total Expenses	8,710,515	-	8,710,515
Change in Net Assets	(136,290)	(5,072)	(141,362)
Net Assets, Beginning of Year	17,938,128	5,072	17,943,200
Net Assets, End of Year	\$ 17,801,838	\$ -	\$ 17,801,838

See notes to financial statements

BROOKWOOD CHURCH

Statements of Cash Flows

	Year Ended September 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (39,807)	\$ (141,362)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	632,715	646,919
Gain on disposal of property and equipment	(5,000)	(500)
Changes in operating assets and liabilities:		
Other assets	(18,674)	58
Accounts payable	(65,326)	37,929
Accrued expenses	11,315	18,595
Deferred revenue	(4,594)	3,400
Net Cash Provided by Operating Activities	510,629	565,039
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(458,382)	(135,615)
Proceeds from the sale of property and equipment	5,000	6,100
Net Cash Used by Investing Activities	(453,382)	(129,515)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligation	(10,632)	(5,918)
Net Cash Used by Financing Activities	(10,632)	(5,918)
Net Change in Cash and Cash Equivalents	46,615	429,606
Cash and Cash Equivalents, Beginning of Year	912,651	483,045
Cash and Cash Equivalents, End of Year	\$ 959,266	\$ 912,651
NONCASH INVESTING AND FINANCING ACTIVITY:		
Fixed assets acquired via capital lease	\$ -	\$ 60,145

See notes to financial statements

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2019 and 2018

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 a transformative relationship with Jesus, in addition to loving God and loving people by pursuing these tangible priorities: Communicating with God, Connecting with Christians, and Caring for Others.

The Church is supported primarily through contributions from the congregation, as well as tuition from a preschool that is operated by the Church. The Church is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (Code) and comparable state law. Contributions to the Church are deductible from income taxes within the limitations prescribed by the Code. The Church is not a private foundation under Section 509(a)(1) of the Code.

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

The Church maintains cash and cash equivalents in financial institutions which may, at times, exceed federally insured limits. Deposits in excess of federally insured limits were \$763,886 and \$603,837 at September 30, 2019 and 2018, respectively. The Church has not experienced any losses on such accounts.

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 \$5,000.

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

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

Without donor restrictions amounts are currently available at the discretion of the advisory committee for use in operations.

With donor restrictions 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 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 restrictions and reported in the statements of activities as satisfaction of purpose restrictions. The Church shows contributions with restrictions whose restrictions are met in the same reporting period as contributions without restrictions on the statements of activities.

Donated goods (including securities, property, and equipment) are recorded at fair value at the date of the gift. The Church's policy is to convert donated securities to cash immediately upon receipt 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 (Note 8).

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Church adopted the provisions of this new standard during the year ended September 30, 2019. In addition to changes in terminology used to describe categories of net assets through the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 3), and disclosures related to the functional allocation of expenses were expanded (Note 8).

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECLASSIFICATIONS

Certain amounts from the prior year financial statements have been reclassified to conform to the current year presentation. On the statement of activities, Communicating with God increased by \$235,569, Caring for Others at Brookwood increased by \$297,999, Caring for Others–Community and World increased by \$194,788, Connecting with Christians–Families increased by \$877,088, Connecting with Christians–Discipleship increased by \$397,506, and Management and General decreased by \$(2,002,950).

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following represents the Church's financial assets as of September 30, 2019, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions.

Financial assets:

Cash and cash equivalents	\$ 959,266
Less board-designated capital reserve	<u>(555,667)</u>

Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 403,599</u></u>
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As of September 30, 2019, the Church has financial assets available to meet general expenditures equal to approximately 25 days of normal cash expenditures, which represent total expenses less depreciation. In addition, the Church has a goal to maintain cash in the operating account that is 10% of the annual budget. Funds can be made available for general expenditure from the capital reserve account if the advisory team approves the action. As more fully described in Note 5, the Church also has a committed line of credit in the amount of \$3,000,000, which it could draw on in the event of an unanticipated liquidity need.

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2019 and 2018

4. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net, consists of:

	September 30,	
	2019	2018
Buildings and building improvements	\$ 15,073,147	\$ 15,015,917
Land and land improvements	7,462,573	7,462,573
Equipment	5,809,573	5,454,529
Furniture and fixtures	1,268,443	1,235,678
Vehicles	71,756	71,756
	<u>29,685,492</u>	<u>29,240,453</u>
Less accumulated depreciation	<u>(12,705,996)</u>	<u>(12,086,624)</u>
Property and equipment–net	<u>\$ 16,979,496</u>	<u>\$ 17,153,829</u>

5. NOTES PAYABLE:

The Church has a commercial loan that is a \$3,000,000 revolving line of credit that matures in June 2021. The balance of the line of credit was \$-0- at September 30, 2019 and 2018. Interest is due in monthly installments based on the 30 Day LIBOR rate plus 1.5% which was 3.58% and 3.76% at September 30, 2019 and 2018. Debt is collateralized by buildings and land. Interest expense under this line of credit totaled \$-0- for the years ended September 30, 2019 and 2018, respectively. The Church is in compliance with all restrictive covenants as of September 30, 2019.

6. CAPITAL LEASES:

The Church is obligated under two capital leases that expire between February 2022 and April 2023. Interest expense totaled \$7,841 and \$5,537 for the years ended September 30, 2019 and 2018, respectively. The gross amount of equipment and related accumulated amortization recorded under these capital leases was as follows:

	September 30,	
	2019	2018
Equipment	\$ 60,145	\$ 60,145
Less accumulated amortization	<u>(19,628)</u>	<u>(7,599)</u>
	<u>\$ 40,517</u>	<u>\$ 52,546</u>

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2019 and 2018

6. CAPITAL LEASES, continued:

Future minimum capital lease payments as of September 30, 2019, were:

Years Ending September 30,	Amounts
2020	\$ 18,474
2021	18,474
2022	12,444
2023	4,746
Thereafter	-
	54,138
Less amount representing interest	(10,544)
Present value of net minimum capital lease payments	\$ 43,594

7. NET ASSETS:

Net assets consist of:

	September 30,	
	2019	2018
Without donor restrictions:		
Undesignated	\$ 17,198,134	\$ 17,387,159
Board-designated capital reserve	555,667	414,679
	17,753,801	17,801,838
With donor restrictions:		
Missions trip	8,230	-
	\$ 17,762,031	\$ 17,801,838

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2019 and 2018

8. FUNCTIONAL ALLOCATION OF EXPENSES:

In order to report the Church's expenses on a functional basis, the costs of providing various program services and supporting activities are allocated among the program services and supporting activities benefited. Salaries, taxes and benefits are allocated on a time estimate basis. Depreciation, repairs and maintenance, utilities and facilities costs are allocated based on square footage. All other natural classifications are allocated based upon an analysis of the specific activities, which is tracked through individual general ledger accounts. Functional expenses by natural classification for the year ended September 30, 2019, with summarized information by natural classification for the year ended September 30, 2018, was as follows:

	Program Activities					Total Program	Management and General	Total Expenses	2018 Total Expenses
	Communicating with God	Caring for Others at Brookwood	Caring for Others– Community & World	Connecting with Christians– Families	Connecting with Christians– Discipleship				
Salaries, taxes, benefits	\$ 650,133	\$ 725,955	\$ 378,145	\$ 1,748,895	\$ 415,763	\$ 3,918,891	\$ 861,236	\$ 4,780,127	\$ 4,671,535
Contributions to missions	-	-	1,340,917	-	-	1,340,917	-	1,340,917	1,232,112
Depreciation	54,540	75,103	29,801	329,961	118,824	608,229	24,486	632,715	646,919
Repairs and maintenance	9,657	3,231	1,282	14,195	5,112	33,477	1,054	34,531	21,018
Utilities	16,772	23,095	9,164	101,466	36,539	187,036	7,530	194,566	194,166
Facilities	33,939	46,734	18,544	205,325	73,940	378,482	15,237	393,719	579,765
Insurance	-	-	-	345	-	345	36,356	36,701	27,838
Information technology	-	-	-	-	-	-	70,497	70,497	66,559
Church events	-	34,618	15,876	269,614	171,725	491,833	-	491,833	421,139
Cost of bookstore and café resources sold	22,948	-	-	-	37,851	60,799	-	60,799	64,353
Other expenses	70,985	88,696	63,070	150,617	27,184	400,552	248,833	649,385	785,111
	<u>\$ 858,974</u>	<u>\$ 997,432</u>	<u>\$ 1,856,799</u>	<u>\$ 2,820,418</u>	<u>\$ 886,938</u>	<u>\$ 7,420,561</u>	<u>\$ 1,265,229</u>	<u>\$ 8,685,790</u>	<u>\$ 8,710,515</u>

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2019 and 2018

9. EMPLOYEE BENEFITS:

The Church has a defined contribution retirement plan for its employees through GuideStone Financial Resources. All pastors and full-time employees are eligible for the program. The Church makes contributions of up to 5% of the employee's salary on behalf of eligible employees. The total retirement expenses for the years ended September 30, 2019 and 2018, were \$118,598 and \$113,736, respectively.

10. RELATED PARTY TRANSACTIONS:

The Church donated \$618,688 during the year ended September 30, 2018, to a nonprofit organization that was managed by a relative of the executive pastor.

The Church also donated \$180,000 during the year ended September 30, 2018, to a nonprofit organization that was managed by a relative of a trustee of the Church.

During the year ended September 30, 2019, these two organizations merged, and are managed by a relative of a trustee of the Church. The Church donated \$871,000 to these organizations during the year ended September 30, 2019.

11. SELF-INSURANCE:

The Church has a self-insured employee welfare plan that provides health benefits to its employees. The plan is administered by an insurance provider, but partial liability for benefits is retained by the Church. The Church chose a high deductible plan and provides partial payments of the deductible. The Church pays \$1,301-\$2,300 for individuals and \$2,601-\$4,600 for families. Self-insurance costs are accrued based upon the aggregate of the liability for reported claims and an estimated liability for claims incurred but not reported. The liability is included with accrued expenses and the liability as of September 30, 2019 and 2018 was \$16,621 and \$17,509, respectively.

12. SUBSEQUENT EVENTS:

Subsequent events were evaluated through February 11, 2020, which represents the date the financial statements were available to be issued.