

Audited Financial Statements

FAITH BAPTIST CHURCH OF WATERFORD

(A Michigan Non-Profit Organization)

December 31, 2019 and 2018

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statements of financial position	2
Statements of activities	3 - 4
Statements of functional expenses	5 - 6
Statements of cash flows	7
Notes to financial statements	8 - 14



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Faith Baptist Church of Waterford

We have audited the accompanying financial statements of Faith Baptist Church of Waterford (a Michigan Non-Profit Organization) which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses 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.

Auditor's Responsibility

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 of America. 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 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 the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Faith Baptist Church of Waterford as of December 31, 2019 and 2018, 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.

Croskey Lanni, PC

August 14, 2020
Rochester, Michigan

345 Diversion Street • Suite 400
Rochester, Michigan 48307
Phone: 248.659.5300
Fax: 248.659.5305

44725 Grand River Avenue • Suite 204
Novi, Michigan 48375
Phone: 248.659.5300
Fax: 248.659.5305

2505 NW Boca Raton Blvd. • Suite 202
Boca Raton, Florida 33431-6652
Phone: 561.241.1040
Fax: 561.368.4641

**FAITH BAPTIST CHURCH OF WATERFORD
(A MICHIGAN NON-PROFIT ORGANIZATION)**

STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2019	2018
Current Assets		
Cash and cash equivalents	\$ 94,636	\$ 365,175
Restricted cash	-	5,000
Accounts receivable	5,864	-
Prepaid expenses	23,327	20,688
Total current assets	123,827	390,863
Land Contract Receivable	126,440	-
Property and Equipment - net of accumulated depreciation	10,313,848	9,458,229
Total assets	\$ 10,564,115	\$ 9,849,092

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 95,917	\$ 56,394
Accrued expenses	213,244	18,138
Current portion of long-term debt	207,334	193,787
Total current liabilities	516,495	268,319
Long-Term Debt, Net	5,799,959	6,021,102
Total liabilities	6,316,454	6,289,421
Net Assets		
Without donor restrictions	4,247,661	3,554,671
With donor restrictions	-	5,000
Total net assets	4,247,661	3,559,671
Total liabilities and net assets	\$ 10,564,115	\$ 9,849,092

See accompanying notes to financial statements

**FAITH BAPTIST CHURCH OF WATERFORD
(A MICHIGAN NON-PROFIT ORGANIZATION)**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues			
Contributions	\$ 4,488,545	\$ -	\$ 4,488,545
Interest income	1,485	-	1,485
Loss on disposal of assets	(163,211)	-	(163,211)
Expense reimbursement and other income	1,472,370	-	1,472,370
Subtotal	5,799,189	-	5,799,189
Net assets released from restrictions	5,000	(5,000)	-
Total support and revenues	5,804,189	(5,000)	5,799,189
Functional Expenses			
Program	3,855,141	-	3,855,141
Administrative	1,256,058	-	1,256,058
Total functional expenses	5,111,199	-	5,111,199
Increase (Decrease) in Net Assets	692,990	(5,000)	687,990
Net Assets - Beginning of Year	3,554,671	5,000	3,559,671
Net Assets - End of Year	<u>\$ 4,247,661</u>	<u>-</u>	<u>\$ 4,247,661</u>

See accompanying notes to financial statements

**FAITH BAPTIST CHURCH OF WATERFORD
(A MICHIGAN NON-PROFIT ORGANIZATION)**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 4,567,313	\$ 5,000	\$ 4,572,313
Interest income	47	-	47
Expense reimbursement and other income	1,197,702	-	1,197,702
Total support and revenues	5,765,062	5,000	5,770,062
Functional Expenses			
Program	3,503,517	-	3,503,517
Administrative	1,353,190	-	1,353,190
Total functional expenses	4,856,707	-	4,856,707
Increase in Net Assets	908,355	5,000	913,355
Net Assets - Beginning of Year	2,646,316	-	2,646,316
Net Assets - End of Year	\$ 3,554,671	5,000	\$ 3,559,671

See accompanying notes to financial statements

**FAITH BAPTIST CHURCH OF WATERFORD
(A MICHIGAN NON-PROFIT ORGANIZATION)**

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Salary and wages	\$ 1,922,000	\$ 129,152	\$ 2,051,152
Employee benefits	15,506	4,653	20,159
Payroll taxes	84,440	6,414	90,854
Depreciation	273,447	68,362	341,809
Office expense	134,906	33,726	168,632
Insurance	359,907	19,942	379,849
Professional fees	-	30,380	30,380
Rent	-	12,400	12,400
Utilities	26,771	173,437	200,208
Events	465,805	-	465,805
Repair and maintenance	-	291,846	291,846
Taxes and license fees	-	3,120	3,120
Bank charges	-	3,304	3,304
Interest expense	-	385,509	385,509
Auto expense	-	12,609	12,609
Travel expense	116,918	4,365	121,283
Meals and entertainment	20,643	5,161	25,804
Mission support	302,001	-	302,001
Workshop	163	-	163
Lease	-	38,520	38,520
Miscellaneous/general	132,634	33,158	165,792
	<u>\$ 3,855,141</u>	<u>\$ 1,256,058</u>	<u>\$ 5,111,199</u>
Total expenses			

See accompanying notes to financial statements

**FAITH BAPTIST CHURCH OF WATERFORD
(A MICHIGAN NON-PROFIT ORGANIZATION)**

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Salary and wages	\$ 1,948,992	\$ 133,485	\$ 2,082,477
Employee benefits	12,334	9,110	21,444
Payroll taxes	88,755	3,669	92,424
Depreciation	258,541	64,635	323,176
Office expense	175,161	39,285	214,446
Insurance	242,836	152,028	394,864
Professional fees	-	8,023	8,023
Rent	-	24,275	24,275
Utilities	26,452	168,716	195,168
Events	551,172	13,710	564,882
Repair and maintenance	17,670	179,365	197,035
Mortgage interest	-	52,522	52,522
Taxes and license fees	-	1,296	1,296
Bank charges	-	14,843	14,843
Interest expense	-	411,690	411,690
Auto expense	-	26,388	26,388
Travel expense	27,079	469	27,548
Meals and entertainment	26,935	5,860	32,795
Mission support	102,055	-	102,055
Workshop	301	-	301
Lease	-	16,335	16,335
Miscellaneous/general	25,234	27,486	52,720
	<u>\$ 3,503,517</u>	<u>\$ 1,353,190</u>	<u>\$ 4,856,707</u>
Total expenses	<u>\$ 3,503,517</u>	<u>\$ 1,353,190</u>	<u>\$ 4,856,707</u>

See accompanying notes to financial statements

**FAITH BAPTIST CHURCH OF WATERFORD
(A MICHIGAN NON-PROFIT ORGANIZATION)**

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2019	2018
Cash Flows From Operating Activities		
Change in net assets		
Increase in net assets	\$ 687,990	\$ 913,355
Adjustments to reconcile change in net assets to		
Net cash flows from operating activities:		
Depreciation and amortization	341,809	323,176
Loss on disposal of assets	163,211	-
Decrease (increase) in operating assets		
Accounts receivable	(5,864)	-
Prepaid expenses	(2,639)	5,564
Increase (decrease) in operating liabilities		
Accounts payable	39,523	16,540
Accrued expenses	195,106	(162,884)
Deposits	-	(88,326)
	1,419,136	1,007,425
Net Cash Flows Provided by Operating Activities		
Cash Flows From Investing Activities		
Proceeds from land contract receivable	(135,000)	-
Principal payments received on land contract receivable	8,560	-
Purchases of property and equipment	(1,585,145)	(1,550,000)
Proceeds from sale of property and equipment	224,506	-
	(1,487,079)	(1,550,000)
Net Cash Flows Used in Operating Activities		
Cash Flows From Financing Activities		
Repayment of long-term debt	(207,596)	(252,564)
Proceeds from long-term debt	-	1,013,007
	(207,596)	760,443
Net Cash Flows Provided by (Used in) Financing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(275,539)	217,868
Cash and Cash Equivalents - Beginning	370,175	152,307
Cash and Cash Equivalents - Ending	\$ 94,636	\$ 370,175
Supplemental Disclosure:		
Interest paid during the current year	\$ 386,543	\$ 403,601

See accompanying notes to financial statements

**FAITH BAPTIST CHURCH OF WATERFORD
(A MICHIGAN NON-PROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019, AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

This summary of significant accounting policies of Faith Baptist Church of Waterford (the "Church") is presented to assist in understanding the Church's financial statements. The financial statements and notes are representations of the Church's management, which is responsible for their integrity and objectivity.

Organization

Faith Baptist Church of Waterford is located in Waterford and Holly, Michigan. Worship locations have also been recently added in Burton, Davison, Goodrich and Grand Blanc, Michigan. The Church conducts services of worship, provides for the Christian education and pastoral care of its members and other individuals, and organizes benevolent efforts that seek to alleviate deprivation and suffering of people in its community and around the world. The Church's primary source of support is from the voluntary contributions of its members.

Basis of Accounting

The accompanying financial statements of the Church were prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Financial Statement Presentation and Contributions

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets with restrictions: Net assets with restrictions include net assets subject to imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Net assets without restrictions: Net assets not subject to imposed stipulations. Revenue that is restricted is reported as an increase in net assets without restrictions if the restriction expires in the reporting period in which the support is recognized. All other restricted support is reported as an increase in net assets with restrictions. When a restriction expires restricted net assets are reclassified to net assets without restrictions.

Revenue Recognition

Contributions received are recorded as support without restrictions or with restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in restricted net assets, depending on the nature of the restriction. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the statements of revenues, expenses and changes in net assets as net assets released from restriction.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**FAITH BAPTIST CHURCH OF WATERFORD
(A MICHIGAN NON-PROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

Faith Baptist Church of Waterford is a non-profit organization exempt from federal income taxes under the Internal Revenue Code (IRC). However, income from certain activities not directly related to the Church's tax-exempt purpose is subject to taxation as unrelated business income. The prior three years of information returns are typically open to audit by the Internal Revenue Service.

Faith Baptist Church of Waterford is also a public charity under the IRC Section 170(b)(1)(A)(vi). This allows donations to the Church to be classified as charitable contributions by donors. . Additionally, the Church qualifies as a religious order in accordance with IRC Sections 501- 514, 4940-4947, and 6033; therefore, the Church is exempt from filing federal Form 990, Return of Organization Exempt from Income Tax.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand and demand deposits in banks plus short-term investments that are readily convertible to cash as well as investments with original maturities of three months or less.

Property and Equipment

Property and equipment consist of assets used in the operations of the Church. Property and equipment purchased by the Church is recorded at cost. Property and equipment donated to the Church has been recorded at its estimated fair market value at the date of donation. Expenditures for major betterments and additions are charged to the property accounts, while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. Depreciation is recorded using the straight-line and accelerated methods to allocate the cost of the respective items over their estimated useful lives ranging from three to forty years.

Functional Allocation of Expenses

Expenses have been allocated between program and administrative on various bases and estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different results.

Donated Services

No value of donated services is reflected in the accompanying financial statements because these services have not created or enhanced a non-financial asset, nor are they specialized skills provided by entities or persons possessing those skills that would be purchased if they were not donated. However, a number of volunteers have donated significant amounts of their time in the Church's activities.

Credit Risk

Faith Baptist Church of Waterford's management does not believe it is exposed to any significant credit risks in cash and short-term investments.

**FAITH BAPTIST CHURCH OF WATERFORD
(A MICHIGAN NON-PROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

FASB ASC Topic 820, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs do not have observable inputs and have the lowest priority. The carrying value of cash and cash equivalents in the accompanying statement of financial position approximates fair value as of December 31, 2019 and 2018

Events Occurring After Reporting Date

The Church has evaluated events and transactions for potential recognition or disclosure through August 14, 2020, the date the financial statements were available to be issued.

Global efforts to contain the spread of COVID-19, often referred to as the Coronavirus, have significantly impacted many businesses and the economy. While the situation is evolving rapidly, and the full impact is not yet known, the disruption caused by the Coronavirus is affecting business and consumer activities worldwide includes the disruption to major financial markets, supply chains, interruption of production, limited personnel, facility and store closures, and decreased demand from both business customers and consumers. As of August 14, 2020, the Church is assessing the impact on its operation and cash flows but currently the disruption and uncertainty caused by the Coronavirus is far-reaching and the ultimate effects of this event is unknown.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31,	
	2019	2018
Land, building and improvements	\$ 15,065,500	\$ 14,086,201
Equipment and vehicles	451,746	336,990
Sub-total	15,517,246	14,423,191
Accumulated depreciation	5,203,398	4,964,962
Total property and equipment	<u>\$ 10,313,848</u>	<u>\$ 9,458,229</u>

**FAITH BAPTIST CHURCH OF WATERFORD
(A MICHIGAN NON-PROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 – PROPERTY AND EQUIPMENT - Continued

Depreciation of property and equipment is provided under the straight-line method over the following estimated useful lives:

Building and improvements	10 - 45 years
Furniture and equipment	5 - 7 years

Gains or losses from the sale of property and equipment are recorded in the statement of activities. Expenditures for major betterments and additions are charged to the property accounts, while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. Contributions of property and equipment are recorded as contribution revenue (valued at fair value) in the year received.

Depreciation expense for the years ended December 31, 2019 and 2018 amounted to \$341,809 and \$323,176, respectively.

NOTE 3 – LAND CONTRACT RECEIVABLE

In August of 2019, the property located on Gale Road in Atlas, Michigan was sold on land contract for \$150,000. There was a down payment of \$15,000 at the execution of the contract and monthly payments of \$1,845 including 4% interest continue through July of 2026. At December 31, 2019 the balance of the contract was \$126,440.

**FAITH BAPTIST CHURCH OF WATERFORD
(A MICHIGAN NON-PROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 4 – LONG-TERM DEBT

Mortgage and notes payable are summarized as follows at:

	December 31,	
	<u>2019</u>	<u>2018</u>
Mortgage payable, Foundation Capital Resources, due in monthly installments of \$31,346, including interest at 6.25% per annum. The mortgage is collateralized by substantially all of the assets of the Church and matures in October 2033.	\$ 4,585,164	\$ 4,671,079
Note payable, Foundation Capital Resources, with interest only payments due through April 2016 at 6.44% per annum, then monthly installments of \$4,775, including interest at 5.99% per annum. The note is collateralized by substantially all of the assets of the Church and matures in April 2036.	589,974	611,971
Mortgage payable, Thumb National Bank, due in monthly installments of \$9,790, including interest at 6.5% per annum. The mortgage is collateralized by substantially all of the assets of the church and matures in July 2027.	701,814	771,078
Mortgage payable, Thumb National Bank, due in monthly installments of \$2,262 including interest at 6.5% per annum. The mortgage is collateralized by subsentially all of the assets of the church and matures in June 2026.	<u>130,341</u>	<u>160,761</u>
Total long-term debt	\$ 6,007,293	\$ 6,214,889
Less current portion	<u>207,334</u>	<u>193,787</u>
Long-term debt, net	<u>\$ 5,799,959</u>	<u>\$ 6,021,102</u>

**FAITH BAPTIST CHURCH OF WATERFORD
(A MICHIGAN NON-PROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 4 – LONG-TERM DEBT - Continued

Maturities of long-term liabilities for the years ending December 31 are as follows:

2020	\$	207,334
2021		220,884
2022		235,320
2023		250,699
2024		267,084
Thereafter		<u>4,825,972</u>
	<u>\$</u>	<u>6,007,293</u>

NOTE 5 – RETIREMENT PLANS

The Church sponsors a contributory defined contribution pension plan for all employees. Employees are eligible upon employment and are immediately vested in all employee and employer contributions. The Church matches employee's contribution up to a maximum of 3% of the employee's compensation. Contributions for the years ended December 31, 2019 and 2018 totaled \$20,159 and \$21,444 respectively.

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Church's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use within one year:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 94,636	\$ 370,175
Accounts receivable	<u>5,864</u>	<u>-</u>
Net assets	100,500	370,175
Less -		
Net assets with donor restrictions	<u>-</u>	<u>5,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 100,500</u>	<u>\$ 365,175</u>

**FAITH BAPTIST CHURCH OF WATERFORD
(A MICHIGAN NON-PROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7 – ADOPTION OF NEW ACCOUNTING STANDARD

The Church adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 and all subsequently issued guidance replaced most existing revenue recognition guidance in the U.S. GAAP and most industry specific guidance. The ASU also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Church expects to be entitled in exchange for those goods and services. The Church adopted 2014-09 under the modified retrospective approach, applying the amendments to prospective reporting periods. Results for reporting periods after January 1, 2019 are presented under Topic 606 while prior period adjustments are not adjusted and continue to be reported in accordance with the historic accounting under Topic 605.