



BROOKWOODchurch
LOVE GOD • LOVE PEOPLE

BROOKWOOD CHURCH

Financial Statements
With Independent Auditors' Report

September 30, 2014 and 2013

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, 2014 and 2013, 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.

(continued)

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, 2014 and 2013, 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.

Capin Crouse LLP

Columbia, South Carolina
November 19, 2014

BROOKWOOD CHURCH

Statements of Financial Position

	September 30,	
	2014	2013
ASSETS:		
Cash and cash equivalents	\$ 42,720	\$ 63,919
Bookstore inventory	27,348	34,937
Prepaid expenses	16,160	209
Notes receivable	652,260	702,260
Property and equipment—net	19,204,067	19,937,881
Total Assets	\$ 19,942,555	\$ 20,739,206
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 114,275	\$ 49,829
Accrued expenses	183,988	155,803
Deferred revenue	31,487	41,375
Note payable	379,452	731,153
	<u>709,202</u>	<u>978,160</u>
Net assets:		
Unrestricted	19,231,471	19,758,552
Temporarily restricted	1,882	2,494
	<u>19,233,353</u>	<u>19,761,046</u>
Total Liabilities and Net Assets	\$ 19,942,555	\$ 20,739,206

See notes to financial statements

BROOKWOOD CHURCH

Statements of Activities

	Year Ended September 30, 2014			Year Ended September 30, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 6,735,685	\$ 36,903	\$ 6,772,588	\$ 6,921,695	\$ 44,706	\$ 6,966,401
Program revenue	1,273,922	-	1,273,922	1,135,543	-	1,135,543
Gain on sale of assets	-	-	-	131,748	-	131,748
Other income	43,790	-	43,790	14,140	-	14,140
Net assets released from purpose restrictions	37,515	(37,515)	-	516,454	(516,454)	-
Net assets released by donor from original restriction	-	-	-	14,962	(14,962)	-
Total Support, Revenue, and Reclassifications	8,090,912	(612)	8,090,300	8,734,542	(486,710)	8,247,832
EXPENSES:						
Program services:						
Expressing Love to God	660,480	-	660,480	992,755	-	992,755
Serving Our Church and Community	715,694	-	715,694	744,637	-	744,637
Leading the Next Generation to Jesus	1,797,184	-	1,797,184	1,699,114	-	1,699,114
Taking Jesus to the World	1,824,963	-	1,824,963	1,519,378	-	1,519,378
Forming Relationships for Spiritual Growth	442,421	-	442,421	453,014	-	453,014
	5,440,742	-	5,440,742	5,408,898	-	5,408,898
Supporting activities:						
Management and general	3,177,251	-	3,177,251	3,064,898	-	3,064,898
Total Expenses	8,617,993	-	8,617,993	8,473,796	-	8,473,796
Change in Net Assets	(527,081)	(612)	(527,693)	260,746	(486,710)	(225,964)
Net Assets, Beginning of Year	19,758,552	2,494	19,761,046	19,497,806	489,204	19,987,010
Net Assets, End of Year	\$ 19,231,471	\$ 1,882	\$ 19,233,353	\$ 19,758,552	\$ 2,494	\$ 19,761,046

See notes to financial statements

BROOKWOOD CHURCH

Statements of Cash Flows

	Year Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (527,693)	\$ (225,964)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	960,766	1,152,206
Losses on disposal of property and equipment	-	2,371
Gains on land held for sale	-	(132,293)
Accrued interest income	-	(2,260)
Changes in operating assets and liabilities:		
Inventory	7,589	(10,187)
Prepaid expenses	(15,951)	1,861
Accounts payable	64,446	6,761
Accrued expenses	28,185	18,205
Deferred revenue	(9,888)	15,045
Net Cash Provided by Operating Activities	507,454	825,745
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(226,952)	(120,076)
Proceeds from the sale of property and equipment	-	2,600
Proceeds from land held for sale	-	638,293
Payments on notes receivable	50,000	-
Net Cash Provided (Used) by Investing Activities	(176,952)	520,817
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt under sweep agreement	3,827,680	3,494,702
Payments on long-term debt under sweep agreement	(4,179,381)	(4,872,551)
Net Cash Used by Financing Activities	(351,701)	(1,377,849)
Net Change in Cash and Cash Equivalents	(21,199)	(31,287)
Cash and Cash Equivalents, Beginning of Year	63,919	95,206
Cash and Cash Equivalents, End of Year	\$ 42,720	\$ 63,919
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	\$ 5,851	\$ 28,815
Notes receivable acquired through sale of land	\$ -	\$ 700,000

See notes to financial statements

BROOKWOOD CHURCH

Notes to Financial Statements

Years Ended September 30, 2014 and 2013

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: Expressing Love to God, Serving Our Church and Community, Leading the Next Generation to Jesus, Taking Jesus to the World, and Forming Relationships for Spiritual Growth.

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 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.

NOTES RECEIVABLE

Notes receivable are recorded net of any estimated credit losses. The Church's policy for determining when receivable are past due or delinquent is when a borrower is 10 days or more past due. The Church assesses finance charges against borrowers that are past due according to the terms of the note. The allowance for credit losses is maintained at a level which, in management's judgment, is adequate to absorb potential losses inherent from uncollectible receivables.

BROOKWOOD CHURCH

Notes to Financial Statements

Years Ended September 30, 2014 and 2013

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. The Church shows restricted contributions whose restrictions are met in the same reporting period as unrestricted contributions 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. The Church received gifts of donated stock totaling \$97,209 and \$138,724 during the years ended September 30, 2014 and 2013. These are included in operating cash flows on the statements of cash flows.

BROOKWOOD CHURCH

Notes to Financial Statements

Years Ended September 30, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUES, EXPENSES, AND RECLASSIFICATIONS, continued

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.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of September 30, 2014 and 2013, the Church had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

RECLASSIFICATIONS

Certain amounts from the prior year financial statements have been reclassified to conform to the current year presentation.

3. NOTES RECEIVABLE:

Notes receivable are recorded net of allowance for credit losses, if applicable, and consist of:

	September 30,	
	2014	2013
Note receivable, including accrued interest, from the purchaser of land previously held for sale by the Church. The note was issued in May 2013. Interest payments at a rate of 5.00% are due quarterly, and the principal of \$550,000 is due in a balloon payment in May 2015. The note is secured by the land sold to the borrower.	\$ 552,260	\$ 552,260
Non-interest bearing note receivable from the purchaser of land previously held for sale by the Church. The note was issued in August 2013. The principal of \$150,000 is due in equal installments of \$50,000 annually in August 2014, 2015, and 2016. The note is unsecured.	100,000	150,000
	<u>\$ 652,260</u>	<u>\$ 702,260</u>

Management has not recorded an allowance for credit losses as it believes all amounts will be fully collected from the borrowers.

BROOKWOOD CHURCH

Notes to Financial Statements

Years Ended September 30, 2014 and 2013

4. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net, consists of:

	September 30,	
	2014	2013
Buildings	\$ 14,797,003	\$ 14,797,003
Land and land improvements	7,158,788	7,119,609
Equipment	5,134,240	4,946,467
Furniture and fixtures	1,235,678	1,235,678
Vehicles	59,336	59,336
	28,385,045	28,158,093
Less accumulated depreciation	(9,180,978)	(8,220,212)
	\$ 19,204,067	\$ 19,937,881

5. NOTE PAYABLE:

Note payable consists of a line of credit due to bank, with a balance of \$379,452 and \$731,153 at September 30, 2014 and 2013, respectively. Interest is due in monthly installments based on 6 month LIBOR rate plus 1.2% which was 1.53% and 1.61% at September 30, 2014 and 2013, respectively. 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, 2014 and 2013, is \$4,700,000 and \$5,100,000, respectively. 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.

6. LEASES:

The Church leases equipment under long-term operating leases. Rental expense under operating leases was \$43,114 and \$43,287 for years ended September 30, 2014 and 2013, respectively. Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of September 30, 2014, were as follows:

Years Ending September 30,	
2015	\$ 24,463
2016	14,877
2017	12,616
2018	4,380
	\$ 56,336

BROOKWOOD CHURCH

Notes to Financial Statements

Years Ended September 30, 2014 and 2013

7. NET ASSETS:

Net assets consist of:

	September 30,	
	2014	2013
Unrestricted:		
Undesignated	\$ 406,856	\$ 551,824
Equity in property and equipment	18,824,615	19,206,728
	<u>19,231,471</u>	<u>19,758,552</u>
Temporarily restricted:		
Missions support	1,882	2,494
	<u>\$ 19,233,353</u>	<u>\$ 19,761,046</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 years ended September 30, 2014 and 2013, were \$93,029 and \$98,883, respectively.

9. RELATED PARTY TRANSACTIONS:

During the year ended September 30, 2014, the Church had services performed by a company owned by a trustee of the Church. Payments made to this company during the year ended September 30, 2014, totaled \$44,061.

10. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS:

The Financial Accounting Standards Board (FASB) recently issued an accounting standards update to the *Statement of Cash Flows—Overall—Other Presentation Matters* topic of the Accounting Standards Codification (ASC). The amendments in this update require classification of cash receipts from the sale of donated financial assets (e.g., debt or equity instruments) by a not-for-profit that, upon receipt of the donated financial assets, are directed for sale without any limitations and are converted nearly immediately into cash as (1) operating cash flows, or (2) if the donor has restricted the use of the securities to a long-term purpose, as financing cash flows. The amendments require classification as investing cash flows of all other cash receipts resulting from the sale of debt and equity securities not meeting the foregoing conditions for classification within operating or financing cash flows. The amendments are effective for fiscal years beginning after June 30, 2013.

11. 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.