



BROOKWOOD CHURCH

Financial Statements
With Independent Auditors' Report

September 30, 2018 and 2017

BROOKWOOD CHURCH

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statement of Activities–2018	4
Statement of Activities–2017	5
Statements of Cash Flows	6
Notes to Financial Statements	7

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, 2018 and 2017, 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, 2018 and 2017, 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
December 17, 2018

BROOKWOOD CHURCH

Statements of Financial Position

	September 30,	
	2018	2017
ASSETS:		
Cash and cash equivalents	\$ 912,651	\$ 483,045
Other assets	50,956	51,014
Property and equipment—net	17,153,829	17,610,588
Total Assets	<u>\$ 18,117,436</u>	<u>\$ 18,144,647</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 78,930	\$ 41,001
Accrued expenses	153,932	135,337
Deferred revenue	28,509	25,109
Capital lease obligation	54,227	-
	<u>315,598</u>	<u>201,447</u>
Net assets:		
Unrestricted	17,801,838	17,938,128
Temporarily restricted	-	5,072
	<u>17,801,838</u>	<u>17,943,200</u>
Total Liabilities and Net Assets	<u>\$ 18,117,436</u>	<u>\$ 18,144,647</u>

See notes to financial statements

BROOKWOOD CHURCH

Statement of Activities

Year Ended September 30, 2018

	Unrestricted	Temporarily Restricted	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	701,233	-	701,233
Caring for Others at Brookwood	675,289	-	675,289
Caring for Others—Community & World	1,562,040	-	1,562,040
Connecting with Christians—Families	1,929,441	-	1,929,441
Connecting with Christians—Discipleship	494,329	-	494,329
	5,362,332	-	5,362,332
Supporting activities:			
Management and general	3,348,183	-	3,348,183
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

Statement of Activities

Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions	\$ 7,513,317	\$ 5,072	\$ 7,518,389
Program revenue	1,300,772	-	1,300,772
Other income	9,317	-	9,317
Total Support and Revenue	8,823,406	5,072	8,828,478
RECLASSIFICATIONS:			
Net assets released from purpose restrictions	-	-	-
EXPENSES:			
Program services:			
Communicating with God	660,129	-	660,129
Caring for Others at Brookwood	660,371	-	660,371
Caring for Others—Community & World	2,309,045	-	2,309,045
Connecting with Christians—Families	1,891,960	-	1,891,960
Connecting with Christians—Discipleship	475,542	-	475,542
	5,997,047	-	5,997,047
Supporting activities:			
Management and general	3,186,966	-	3,186,966
Total Expenses	9,184,013	-	9,184,013
Change in Net Assets	(360,607)	5,072	(355,535)
Net Assets, Beginning of Year	18,298,735	-	18,298,735
Net Assets, End of Year	\$ 17,938,128	\$ 5,072	\$ 17,943,200

See notes to financial statements

BROOKWOOD CHURCH

Statements of Cash Flows

	Year Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (141,362)	\$ (355,535)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	646,919	642,807
Gain on disposal of property and equipment	(500)	(5,777)
Changes in operating assets and liabilities:		
Other assets	58	(11,816)
Accounts payable	37,929	(675)
Accrued expenses	18,595	35,135
Deferred revenue	3,400	(5,486)
Net Cash Provided by Operating Activities	565,039	298,653
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(135,615)	(261,644)
Proceeds from the sale of property and equipment	6,100	15,239
Net Cash Used by Investing Activities	(129,515)	(246,405)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt under sweep agreement	-	447,240
Payments on long-term debt under sweep agreement	-	(447,240)
Payments on capital lease obligation	(5,918)	-
Net Cash Used by Financing Activities	(5,918)	-
Net Change in Cash and Cash Equivalents	429,606	52,248
Cash and Cash Equivalents, Beginning of Year	483,045	430,797
Cash and Cash Equivalents, End of Year	\$ 912,651	\$ 483,045
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, 2018 and 2017

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 \$662,651 and \$233,045 at September 30, 2018 and 2017, 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, 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.

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.

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

September 30, 2018 and 2017

3. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net, consists of:

	September 30,	
	2018	2017
Buildings and building improvements	\$ 15,015,917	\$ 15,015,917
Land and land improvements	7,462,573	7,462,573
Equipment	5,454,529	5,268,441
Furniture and fixtures	1,235,678	1,235,678
Vehicles	71,756	71,756
	29,240,453	29,054,365
Less accumulated depreciation	(12,086,624)	(11,443,777)
Equity in property and equipment	\$ 17,153,829	\$ 17,610,588

4. NOTES PAYABLE:

The Church has a commercial loan that is a \$3,000,000 revolving line of credit: the line of credit matures in May 2019. The balance of the line of credit was \$-0- and \$-0- at September 30, 2018 and 2017, respectively. Interest is due in monthly installments based on the 30 Day LIBOR rate plus 1.5% which was 3.76% and 2.73% at September 30, 2018 and 2017, respectively. Debt is collateralized by buildings and land. Interest expense totaled \$5,537 and \$223 for the years ended September 30, 2018 and 2017, respectively. The Church is in compliance with all restrictive covenants as of September 30, 2018.

5. CAPITAL LEASES:

The Church is obligated under two capital leases that expire between January 2022 and March 2023. The gross amount of equipment and related accumulated amortization recorded under these capital leases was as follows:

	September 30,	
	2018	2017
Equipment	\$ 60,145	\$ -
Less accumulated amortization	(7,599)	-
	\$ 52,546	\$ -

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2018 and 2017

5. CAPITAL LEASES, continued:

Future minimum capital lease payments as of September 30, 2018, were:

<u>Years Ending September 30,</u>	<u>Amounts</u>
2019	\$ 18,474
2020	18,474
2021	18,474
2022	12,444
2023	4,746
	<u>72,612</u>
Less amount representing interest	<u>(18,385)</u>
Present value of net minimum capital lease payments	<u><u>\$ 54,227</u></u>

6. NET ASSETS:

Net assets consist of:

	<u>September 30,</u>	
	<u>2018</u>	<u>2017</u>
Unrestricted:		
Undesignated	\$ 233,330	\$ 327,540
Capital reserve	414,679	-
Equity in property and equipment	<u>17,153,829</u>	<u>17,610,588</u>
	<u>17,801,838</u>	<u>17,938,128</u>
Temporarily restricted:		
Missions trip	<u>-</u>	<u>5,072</u>
	<u><u>\$ 17,801,838</u></u>	<u><u>\$ 17,943,200</u></u>

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2018 and 2017

7. 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, 2018 and 2017, were \$113,736 and \$109,776, respectively.

8. RELATED PARTY TRANSACTIONS:

The Church donated \$618,688 and \$1,585,107 during the years ended September 30, 2018 and 2017, respectively, to a nonprofit organization that is managed by a relative of the executive pastor.

The Church also donated \$180,000 and \$-0- during the years ended September 30, 2018 and 2017, respectively, to a nonprofit organization that is managed by a relative of a trustee of the Church.

9. 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, 2018 and 2017 was \$17,509 and \$12,731, respectively.

10. SUBSEQUENT EVENTS:

Subsequent events were evaluated through December 17, 2018, which represents the date the financial statements were available to be issued.