

**FOOTHILLS COMMUNITY CHURCH**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2018**

**FOOTHILLS COMMUNITY CHURCH**

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Members of the Board of Directors  
Foothills Community Church  
Seneca, South Carolina

We have reviewed the accompanying financial statements of Foothills Community Church (a nonprofit organization), which comprise the statement of financial position-modified cash basis as of December 31, 2018, and the related statement of activities-modified cash basis, statement of cash flows and statement of functional expenses – modified cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for 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.

### **Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

**Basis of Accounting**

We draw attention to Note 1(b) of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

*The Keller Group, PA*

The Keller Group, PA  
Seneca, SC

June 12, 2019

**FOOTHILLS COMMUNITY CHURCH**  
**December 31, 2018**

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**STATEMENT OF FINANCIAL POSITION – MODIFIED CASH BASIS**

**ASSETS**

**CURRENT ASSETS**

CASH AND CASH EQUIVALENTS	\$ 445,066
CASH AND CASH EQUIVALENTS - RESTRICTED	<u>57,436</u>
TOTAL CURRENT ASSETS	502,502

**PROPERTY, PLANT, & EQUIPMENT**

LAND	548,000
BUILDINGS AND BUILDING IMPROVEMENTS	<u>6,979,707</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT, NET	7,527,707

**OTHER ASSETS**

DONATED LAND	<u>100,000</u>
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**TOTAL ASSETS**

**\$ 8,130,209**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

PAYROLL TAX LIABILITIES	\$ 7,070
CREDIT CARDS PAYABLE	4,731
FUNDS HELD AS AGENT	21,665
MORTGAGE PAYABLE - CURRENT PORTION	<u>280,537</u>
TOTAL CURRENT LIABILITIES	314,003

**LONG-TERM LIABILITIES**

MORTGAGE PAYABLE - OCONEE FEDERAL	1,496,745
LESS: CURRENT PORTION OF DEBT	(280,537)
RESERVE FOR MAINTENANCE	<u>328,914</u>
TOTAL CURRENT LIABILITIES	1,545,122

**NET ASSETS**

NET ASSETS WITHOUT DONOR RESTRICTIONS	6,213,648
NET ASSETS WITH DONOR RESTRICTIONS	<u>57,436</u>

TOTAL NET ASSETS 6,271,084

**TOTAL LIABILITIES & NET ASSETS**

**\$ 8,130,209**

The accompanying notes are an integral part of these financial statements.

**FOOTHILLS COMMUNITY CHURCH**  
**December 31, 2018**

**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

	<b>2018</b>		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT:</b>			
TITHES AND OFFERINGS	\$ 1,868,437	\$ 116,522	\$ 1,984,959
PROGRAMS	37,635		37,635
RENTAL INCOME	1,100		1,100
INTEREST INCOME	1,072		1,072
SALE OF ASSETS	0		0
MISCELLANEOUS INCOME	0		0
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>1,908,244</b>	<b>116,522</b>	<b>2,024,766</b>
 NET ASSETS RELEASED FROM RESTRICTIONS	 130,175	 (130,175)	 0
 <b>TOTAL REVENUES AND OTHER SUPPORT</b>	 <b>2,038,419</b>	 <b>(13,653)</b>	 <b>2,024,766</b>
 <b>EXPENSES:</b>			
PROGRAM SERVICES	1,432,540		1,432,540
MANAGEMENT AND GENERAL	259,329		259,329
FUNDRAISING	-		0
<b>TOTAL EXPENSES</b>	<b>1,691,869</b>	<b>0</b>	<b>1,691,869</b>
 <b>CHANGE IN NET ASSETS</b>	 346,550	 (13,653)	 332,897
 <b>NET ASSETS-BEGINNING OF YEAR</b>	 5,867,098	 71,089	 5,938,187
 <b>NET ASSETS-END OF YEAR</b>	 <b>\$ 6,213,648</b>	 <b>\$ 57,436</b>	 <b>\$ 6,271,084</b>

The accompanying notes are an integral part of these financial statements.

**FOOTHILLS COMMUNITY CHURCH**  
**December 31, 2018**

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**STATEMENT OF CASH FLOWS**

**CASH FLOWS FROM OPERATING ACTIVITIES**

INCREASE IN NET ASSETS	\$	332,897
ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
INCREASE (DECREASE) IN OPERATING LIABILITIES		
CREDIT CARDS PAYABLE		3,832
PAYROLL TAXES PAYABLE		6,921
RESERVE FOR MAINTENANCE		124,803
FUNDS HELD FOR MICC		6,083
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>474,536</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

PRINCIPAL PAYMENTS OF NOTES PAYABLE		<u>(384,479)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		(384,479)

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** 90,057

**BEGINNING CASH AND CASH EQUIVALENTS** 412,445

**ENDING CASH AND CASH EQUIVALENTS** \$ 502,502

The accompanying notes are an integral part of these financial statements.

**FOOTHILLS COMMUNITY CHURCH**  
**December 31, 2018**

**STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS**

	PROGRAMS	MANAGEMENT & GENERAL	TOTAL
SALARIES AND BENEFITS	\$ 652,586	\$ 218,082	\$ 870,668
POSTAGE	1,542	515	2,057
OFFICE/PRINTING SUPPLIES	23,252	7,770	31,022
ASSOCIATION DUES	612	205	817
BANK CHARGES	17,750	5,932	23,682
PROFESSIONAL FEES		2,627	2,627
PROPERTY TAXES		1,374	1,374
RECRUITING	13,860		13,860
TELEPHONE	7,090	2,369	9,459
INSURANCE	5,898	1,971	7,869
ADVERTISING	16,940		16,940
FACILITY MAINTENANCE	222,588	9,575	232,163
UTILITIES	69,790	3,673	73,463
LOCAL OUTREACH	71,431		71,431
REGIONAL AND INT'L OUTREACH	26,519		26,519
INTEREST EXPENSE	62,863	3,309	66,172
ADULT DISCIPLESHIP	14,003		14,003
CHILDRENS MINISTRIES	26,155		26,155
STUDENT MINISTRIES	51,169		51,169
ENTERPRISE TECHNOLOGY	36,616	1,927	38,543
SUNDAY WORSHIP	48,440		48,440
HOSPITALITY & BOOKSTORE	52,181		52,181
CARE AND COMPASSION	11,255		11,255
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	<u>\$ 1,432,540</u>	<u>\$ 259,329</u>	<u>\$ 1,691,869</u>

The accompanying notes are an integral part of these financial statements.



**FOOTHILLS COMMUNITY CHURCH**  
**December 31, 2018**

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES**

**(a) Nature of Activities**

The mission of Foothills Community Church (the “Church”) is to help people find and follow Jesus. Everything done by the church revolves around helping people meet Christ and helping them grow in that relationship. Members, in return, provide financial assistance to the church through monetary donations.

**(b) Standard of Accounting and Reporting**

The financial statements of the Church are prepared using the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP) in the United States of America. The modified cash basis differs from GAAP in that certain revenues are recognized when received rather than earned and certain expenses are recognized when paid rather than when the obligation is incurred. Short-term items are recorded when cash levels change, meaning that nearly all elements typically on an income statement are recorded using the cash basis and accounts receivable are not recorded on a statement of financial position. The Church does not record depreciation and typically does not capitalize assets outside of major expenditures. Exact standards do not exist for the modified cash basis however, consistency in reporting should be applied.

**(c) Net Asset Accounting**

The Church classifies revenues and contributions, expenses, gains and losses into two classes based upon the existence or absence of donor restrictions.

**Net Assets Without Donor Restrictions** are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of operations.

**Net Assets With Donor Restrictions** are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor’s instructions.

When a donor’s restriction is satisfied, either by use of the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

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**(d) Use of estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

**(e) Cash and Cash Equivalents**

The Church considers all money-market, time deposit and other investments with remaining maturities at purchase of less than three months to be cash and cash equivalents.

**(f) Concentration of Credit Risk**

The Church maintains all checking accounts at one financial institution that insures cash balances up to \$250,000 through the Federal Deposit Insurance Corporation. As of December 31, 2018, the Church held \$502,502 at this institution resulting in cash balances that are not supported by deposit insurance.

**(g) Property, Plant, and Equipment**

Equipment, buildings, and land are all recorded on the statement of financial position at cost or appraised value. The original building is recorded at appraised value based upon an appraisal received in 2007. The second phase of construction was recorded at cost since adequate records were available. Since the modified cash basis is used, accumulated depreciation is not displayed on the statement of financial position. Land is considered a non-depreciable asset and is also carried at the 2007 appraised value.

**(h) Donated Services**

If the Church receives donated services requiring specific expertise, the amounts are recognized in the financial statements at the rates customarily charged for the services. Although no amounts were received that met this recognition criteria during the year, numerous volunteers have donated their time and services to the programs and activities of the Church.

**(i) Advertising**

The Church expenses advertising as incurred. Advertising expense for the year ended December 31, 2018, totaled \$16,940.

**(j) Income Taxes**

The Church is a not-for-profit organization that is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements. The Church is not classified as a private foundation.

The Church follows guidance prescribed by the Financial Accounting Standards Board ASC 740-10 regarding uncertainty in income taxes recognized. The application of this guidance has no impact on the Church's financial statements.

**FOOTHILLS COMMUNITY CHURCH**  
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**(k) Change in Accounting Principles**

The Church implemented FASB ASU No. 2016-14 in the current year, applying the changes retroactively. The new standards change the following aspects of the financial statements:

- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (Note 2)

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 are:

<u>Financial Assets</u>	
Cash & Cash Equivalents	\$ 502,502
Total Financial Assets	<u>\$ 502,502</u>
Less Financial Assets held to meet donor imposed restrictions (Note 6)	\$ (57,436)
Less Financial assets held as agent (Note 4)	<u>(21,665)</u>
Amounts available for general expenditure within one year:	<u><u>\$ 423,401</u></u>

As part of the liquidity management plan, the Church maintains all funds in bank accounts so they are easily accessible. Most routine expenditures are satisfied through the regular tithing by Church members. The Church sets aside additional funds in a separate bank account, the reserve account, to be available for major, non-routine expenditures. During the year, the Church increased the reserve account by \$124,803 resulting in a total reserve balance of \$328,914 as of December 31, 2018.

**NOTE 3 – OTHER ASSETS**

The Church received two parcels of land from a member of their congregation. The parcels are available for sale and are carried on the books at the original appraised value.

See Independent Accountants' Review Report.

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**December 31, 2018**

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**NOTE 4 – FUNDS HELD AS AGENT**

The Church receives contributions from individuals on behalf of the Munich International Community Church (“MICC”), an unrelated organization. Contributions received are not reported as revenue but are booked directly as a liability. As of December 31, 2018, the Church held \$21,665 on behalf of MICC.

**NOTE 5 – NOTES PAYABLE**

As of December 31, 2018, the Church had a note payable outstanding secured by the Church property located at 505 Bountyland Rd, Seneca, SC, with a balance due of \$1,496,745. Principal and interest payments of \$27,771 are payable monthly with interest accruing at 3.85%. The total amount of interest paid during 2018 was \$66,171.

Annual maturities over the next five years are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2019	\$ 280,537
2020	291,531
2021	302,955
2022	314,827
2023	<u>306,895</u>
Total	<u>\$ 1,496,745</u>

**NOTE 6 – NET ASSETS WITH RESTRICTIONS**

Net assets with restrictions are available for the following purposes at December 31, 2018:

<u>Purpose</u>	<u>Amount</u>
Building Fund	\$ 36,202
Outreach	<u>21,234</u>
Total	<u>\$ 57,436</u>

See Independent Accountants’ Review Report.

**FOOTHILLS COMMUNITY CHURCH**  
**December 31, 2018**

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**NOTE 7 – LEASES**

The Church leases office equipment under an operating lease which expires in 2019. Future minimum operating lease payments in 2019 total \$1,594.

**NOTE 8 – RETIREMENT PLANS**

The Church provides the opportunity to participate in a 403(b)(9) retirement plan. Employees of the Church are eligible to participate in the plan after 90 days of full-time employment. The Church contributes 5% of the employee's monthly base pay. For the year ended, December 31, 2018, the Church's contributions to the plan totaled \$27,975.

**NOTE 9 – SUBSEQUENT EVENTS**

The Church has evaluated all subsequent events through June 12, 2019, the date the financial statements were available to be issued.