

FOOTHILLS COMMUNITY CHURCH

FINANCIAL STATEMENTS

Year Ended December 31, 2019

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, 2019, 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

February 26, 2020

FOOTHILLS COMMUNITY CHURCH
December 31, 2019

STATEMENT OF FINANCIAL POSITION – MODIFIED CASH BASIS

ASSETS

CURRENT ASSETS

CASH AND CASH EQUIVALENTS	\$ 460,132
CASH AND CASH EQUIVALENTS - RESTRICTED	<u>108,934</u>
TOTAL CURRENT ASSETS	569,066

PROPERTY, PLANT, & EQUIPMENT

LAND	548,000
BUILDINGS AND BUILDING IMPROVEMENTS	6,979,707
SOUND EQUIPMENT	106,344
ACCUMULATED DEPRECIATION	<u>(13,293)</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT, NET	7,620,758

OTHER ASSETS

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

\$ 8,289,824

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

PAYROLL TAX LIABILITIES	\$ 5,477
CREDIT CARDS PAYABLE	9,674
FUNDS HELD AS AGENT	34,166
MORTGAGE PAYABLE - CURRENT PORTION	<u>300,469</u>
TOTAL CURRENT LIABILITIES	349,786

LONG-TERM LIABILITIES

MORTGAGE PAYABLE - OCONEE FEDERAL	988,112
LESS: CURRENT PORTION OF DEBT	(300,469)
RESERVE FOR MAINTENANCE	<u>356,479</u>
TOTAL LONG-TERM LIABILITIES	1,044,122

TOTAL LIABILITIES

1,393,908

NET ASSETS

NET ASSETS WITHOUT DONOR RESTRICTIONS	6,786,982
NET ASSETS WITH DONOR RESTRICTIONS	<u>108,934</u>

TOTAL NET ASSETS 6,895,916

TOTAL LIABILITIES & NET ASSETS

\$ 8,289,824

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

FOOTHILLS COMMUNITY CHURCH
December 31, 2019

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:			
TITHES AND OFFERINGS	\$ 2,046,133	\$ 127,318	\$ 2,173,451
PROGRAMS	66,291		66,291
RENTAL INCOME	1,300		1,300
INTEREST INCOME	3,815		3,815
MISCELLANEOUS INCOME	37		37
TOTAL REVENUE AND OTHER SUPPORT	<u>2,117,576</u>	<u>127,318</u>	<u>2,244,894</u>
 NET ASSETS RELEASED FROM RESTRICTIONS	 <u>75,820</u>	 <u>(75,820)</u>	 <u>0</u>
 TOTAL REVENUES AND OTHER SUPPORT	 <u>2,193,396</u>	 <u>51,498</u>	 <u>2,244,894</u>
 EXPENSES:			
PROGRAM SERVICES	1,357,989		1,357,989
MANAGEMENT AND GENERAL	262,073		262,073
 TOTAL EXPENSES	 <u>1,620,062</u>	 <u>0</u>	 <u>1,620,062</u>
 CHANGE IN NET ASSETS	 <u>573,334</u>	 <u>51,498</u>	 <u>624,832</u>
 NET ASSETS-BEGINNING OF YEAR	 <u>6,213,648</u>	 <u>57,436</u>	 <u>6,271,084</u>
 NET ASSETS-END OF YEAR	 <u>\$ 6,786,982</u>	 <u>\$ 108,934</u>	 <u>\$ 6,895,916</u>

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

FOOTHILLS COMMUNITY CHURCH
December 31, 2019

STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES

INCREASE IN NET ASSETS	\$	624,832
ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION		13,293
INCREASE (DECREASE) IN OPERATING LIABILITIES		
CREDIT CARDS PAYABLE		4,943
PAYROLL TAXES PAYABLE		(1,593)
RESERVE FOR MAINTENANCE		27,565
FUNDS HELD FOR MICC		12,501
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>681,541</u>

CASH FLOWS FROM INVESTING ACTIVITIES

EQUIPMENT EXPENDITURES		<u>(106,344)</u>
NET CASH USED BY INVESTING ACTIVITIES		(106,344)

CASH FLOWS FROM FINANCING ACTIVITIES

PRINCIPAL PAYMENTS OF NOTES PAYABLE		<u>(508,633)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		(508,633)

NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

66,564

BEGINNING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

502,502

ENDING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

\$ 569,066

SUPPLEMENTAL INFORMATION

INTEREST PAID	\$	<u>49,367</u>
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The accompanying notes are an integral part of these financial statements.

FOOTHILLS COMMUNITY CHURCH
December 31, 2019

STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS

	PROGRAMS	MANAGEMENT & GENERAL	TOTAL
SALARIES AND BENEFITS	\$ 713,146	\$ 226,531	\$ 939,677
FACILITY MAINTENANCE	95,236	3,219	98,455
UTILITIES	72,608	3,821	76,429
HOSPITALITY & BOOKSTORE	65,000		65,000
STUDENT MINISTRIES	63,123		63,123
LOCAL OUTREACH	55,052		55,052
INTEREST EXPENSE	46,898	2,468	49,366
SUNDAY WORSHIP	42,257		42,257
OFFICE/PRINTING SUPPLIES	26,430	8,396	34,826
ENTERPRISE TECHNOLOGY	31,709	1,669	33,378
BANK CHARGES	18,115	5,754	23,869
CHILDRENS MINISTRIES	19,655		19,655
INSURANCE	14,471	4,597	19,068
ADULT DISCIPLESHIP	16,330		16,330
ADVERTISING	14,879		14,879
REGIONAL AND INT'L OUTREACH	14,046		14,046
DEPRECIATION	13,293		13,293
INTERN/RESIDENT PROGRAM	11,742		11,742
RECRUITING	9,099		9,099
CARE AND COMPASSION	8,445		8,445
TELEPHONE	4,338	1,378	5,716
PROFESSIONAL FEES		2,199	2,199
POSTAGE	1,377	437	1,814
PROPERTY TAXES		1,369	1,369
ASSOCIATION DUES	740	235	975
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	<u>\$ 1,357,989</u>	<u>\$ 262,073</u>	<u>\$ 1,620,062</u>

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

FOOTHILLS COMMUNITY CHURCH
December 31, 2019

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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December 31, 2019

(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 checking/saving accounts at two financial institutions that insure cash balances up to \$250,000 through the Federal Deposit Insurance Corporation. As of December 31, 2019, the Church held funds totaling \$69,062 in excess of the limits 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. Land is considered a non-depreciable asset and is also carried at the 2007 appraised value.

During the year, the church revised their accounting for fixed assets prospectively. Prior to 2019, the Church did not capitalize certain major expenditures. Furthermore, depreciation was not recorded and accumulated depreciation accounts are not maintained. The new policy requires that expenditures for tangible assets having a service life of four years or more and a purchase price over \$25,000 be capitalized. Assets purchased after this policy change are depreciated on a straight-line basis over their estimated useful lives which are listed below.

<u>Category</u>	<u>Years</u>
Computers and related equipment	3-5
Sound and media equipment	4-7
Office furniture	7
Building	39
Building Improvements	10
Trailers and vehicles	15

(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.

See Independent Accountants' Review Report.

FOOTHILLS COMMUNITY CHURCH
December 31, 2019

(i) Advertising

The Church expenses advertising as incurred. Advertising expense for the year ended December 31, 2019, totaled \$14,879.

(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.

(k) Change in Accounting Method

During the year, the Church modified their policy as described in note (g).

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, 2019 are:

<u>Financial Assets</u>	
Cash & Cash Equivalents	\$ 569,066
Total Financial Assets	<u>\$ 569,066</u>
Less Financial Assets held to meet donor imposed restrictions (Note 6)	\$ (108,934)
Less Financial assets held as agent (Note 4)	<u>(34,166)</u>
Amounts available for general expenditure within one year:	<u><u>\$ 425,966</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 \$27,565 resulting in a total reserve balance of \$356,479 as of December 31, 2019.

See Independent Accountants' Review Report.

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December 31, 2019

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.

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, 2019, the Church held \$34,166 on behalf of MICC.

NOTE 5 – NOTES PAYABLE

As of December 31, 2019, the Church had a note payable outstanding secured by the Church property located at 505 Bountyland Rd, Seneca, SC, with a balance due of \$988,112. Principal and interest payments of \$27,771 are payable monthly with interest accruing at 3.85%. The total amount of interest paid during 2019 was \$49,367.

Annual maturities over the next five years are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2020	\$ 300,469
2021	312,243
2022	324,479
2023	50,921
2024	-
Total	<u>\$ 988,112</u>

NOTE 6 – NET ASSETS WITH RESTRICTIONS

Net assets with restrictions are available for the following purposes at December 31, 2019:

<u>Purpose</u>	<u>Amount</u>
Building Fund	\$ 51,284
Outreach	57,650
Total	<u>\$ 108,934</u>

See Independent Accountants’ Review Report.

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December 31, 2019

NOTE 7 – LEASES

The Church leases office equipment under a non-cancellable operating lease executed on April 1, 2019 with an effective duration of 48 months. Minimum monthly lease payments of \$537.21 are required. The lease cost may increase depending on the usage of the equipment. Upon termination of the contract, the Church can return the equipment or continue the lease on a month to month basis.

Estimated remaining minimum future payments under this operating lease are:

2020	\$	6,444
2021		6,444
2022		6,444
2023		<u>2,685</u>
Total	\$	<u><u>22,017</u></u>

Rent expense for the equipment under this operating lease totals \$11,300 for the year ended December 31, 2019.

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, 2019, the Church's contributions to the plan totaled \$32,198.

NOTE 9 – SUBSEQUENT EVENTS

The Church has evaluated all subsequent events through February 26, 2020, the date the financial statements were available to be issued.