

FOOTHILLS COMMUNITY CHURCH
FINANCIAL STATEMENTS
Year Ended December 31, 2020

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, 2020, 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, P.A.

The Keller Group, PA
Seneca, SC

July 12, 2021

FOOTHILLS COMMUNITY CHURCH
December 31, 2020

STATEMENT OF FINANCIAL POSITION – MODIFIED CASH BASIS

ASSETS

CURRENT ASSETS

CASH AND CASH EQUIVALENTS	\$	678,915
CASH AND CASH EQUIVALENTS - RESTRICTED		<u>163,690</u>
TOTAL CURRENT ASSETS		842,605

PROPERTY, PLANT, & EQUIPMENT

LAND		548,000
BUILDINGS AND BUILDING IMPROVEMENTS		6,979,707
SOUND EQUIPMENT		106,344
ACCUMULATED DEPRECIATION		<u>(39,879)</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT, NET		7,594,172

TOTAL ASSETS

\$ 8,436,777

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

PAYROLL TAX LIABILITIES	\$	10,090
CREDIT CARDS PAYABLE		169
FUNDS HELD AS AGENT		46,602
MORTGAGE PAYABLE - CURRENT PORTION		322,922
PPP - LOAN		<u>187,458</u>
TOTAL CURRENT LIABILITIES		567,241

LONG-TERM LIABILITIES

MORTGAGE PAYABLE - OCONEE FEDERAL		415,130
LESS: CURRENT PORTION OF DEBT		(322,922)
RESERVE FOR MAINTENANCE		<u>479,042</u>
TOTAL LONG-TERM LIABILITIES		571,250

TOTAL LIABILITIES

1,138,491

NET ASSETS

NET ASSETS WITHOUT DONOR RESTRICTIONS		7,134,596
NET ASSETS WITH DONOR RESTRICTIONS		<u>163,690</u>
TOTAL NET ASSETS		<u>7,298,286</u>

TOTAL LIABILITIES & NET ASSETS

\$ 8,436,777

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

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December 31, 2020

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:			
TITHES AND OFFERINGS	\$ 2,068,011	\$ 200,194	\$ 2,268,205
RENTAL INCOME	600		600
INTEREST INCOME	1,028		1,028
MISCELLANEOUS INCOME	26		26
TOTAL REVENUE AND OTHER SUPPORT	<u>2,069,665</u>	<u>200,194</u>	<u>2,269,859</u>
 NET ASSETS RELEASED FROM RESTRICTIONS	 <u>145,438</u>	 <u>(145,438)</u>	 <u>0</u>
 TOTAL REVENUES AND OTHER SUPPORT	 <u>2,215,103</u>	 <u>54,756</u>	 <u>2,269,859</u>
 EXPENSES:			
PROGRAM SERVICES	1,566,489		1,566,489
MANAGEMENT AND GENERAL	244,892		244,892
LOSS ON SALE OF ASSETS	56,108		56,108
TOTAL EXPENSES	<u>1,867,489</u>	<u>0</u>	<u>1,867,489</u>
 CHANGE IN NET ASSETS	 <u>347,614</u>	 <u>54,756</u>	 <u>402,370</u>
 NET ASSETS-BEGINNING OF YEAR	 <u>6,786,982</u>	 <u>108,934</u>	 <u>6,895,916</u>
 NET ASSETS-END OF YEAR	 <u>\$ 7,134,596</u>	 <u>\$ 163,690</u>	 <u>\$ 7,298,286</u>

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

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STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES

INCREASE IN NET ASSETS	\$ 402,370
ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
DEPRECIATION	26,586
LOSS ON SALE OF LAND	56,108
INCREASE (DECREASE) IN OPERATING LIABILITIES	
CREDIT CARDS PAYABLE	(9,505)
PAYROLL TAXES PAYABLE	4,613
RESERVE FOR MAINTENANCE	122,563
FUNDS HELD FOR MICC	12,436
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>615,171</u>

CASH FLOWS FROM INVESTING ACTIVITIES

SALE OF LAND	<u>43,892</u>
NET CASH USED BY INVESTING ACTIVITIES	43,892

CASH FLOWS FROM FINANCING ACTIVITIES

PPP - LOAN	187,458
PRINCIPAL PAYMENTS OF NOTES PAYABLE	<u>(572,982)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	(385,524)

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

273,539

BEGINNING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

569,066

ENDING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

\$ 842,605

SUPPLEMENTAL INFORMATION

INTEREST PAID	<u>\$ 27,018</u>
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The accompanying notes are an integral part of these financial statements.

FOOTHILLS COMMUNITY CHURCH
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STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS

	PROGRAMS	MANAGEMENT & GENERAL	TOTAL
SALARIES AND BENEFITS	\$ 819,129	\$ 209,351	\$ 1,028,480
FACILITY MAINTENANCE	179,128	8,898	188,026
LOCAL OUTREACH	153,031		153,031
UTILITIES	60,991	3,210	64,201
HOSPITALITY & BOOKSTORE	44,453		44,453
ENTERPRISE TECHNOLOGY	38,573	2,030	40,603
BANK CHARGES	24,356	6,225	30,581
RECRUITING	30,451		30,451
INTEREST EXPENSE	25,667	1,351	27,018
DEPRECIATION	26,586		26,586
OFFICE/PRINTING SUPPLIES	20,815	5,320	26,135
SUNDAY WORSHIP	24,203		24,203
INSURANCE	16,322	4,171	20,493
CHILDRENS MINISTRIES	20,142		20,142
INTERN/RESIDENT PROGRAM	15,038		15,038
ADULT DISCIPLESHIP	14,977		14,977
ADVERTISING	13,629		13,629
CARE AND COMPASSION	12,940		12,940
STUDENT MINISTRIES	12,482		12,482
REGIONAL AND INT'L OUTREACH	6,252		6,252
TELEPHONE	4,361	1,115	5,476
POSTAGE	2,151	550	2,701
PROFESSIONAL FEES		2,463	2,463
ASSOCIATION DUES	812	208	1,020
	812	208	1,020
TOTAL EXPENSES	\$ 1,566,489	\$ 244,892	\$ 1,811,381

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

FOOTHILLS COMMUNITY CHURCH
December 31, 2020

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. 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 Equivalent

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, 2020, the Church held funds totaling \$342,605 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.

In 2019, 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 were 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.

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December 31, 2020

(i) Advertising

The Church expenses advertising as incurred. Advertising expense for the year ended December 31, 2020, totaled \$13,629.

(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

There was no change in accounting method for the year under review.

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, 2020 are:

	<u>Financial Assets</u>	
Cash & Cash Equivalents	\$	842,605
Total Financial Assets	\$	842,605
Less Financial Assets held to meet donor imposed restrictions (Note 6)	\$	(163,690)
Less Financial assets held as agent (Note 4)		<u>(46,602)</u>
Amounts available for general expenditure within one year:	\$	<u><u>632,313</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 \$122,563 resulting in a total reserve balance of \$479,042 as of December 31, 2020.

See Independent Accountants' Review Report.

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December 31, 2020

NOTE 3 – PPP - LOAN

The Church received a loan from Community First Bank in the amount of \$187,458 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated April 1, 2020, and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. The loan bears interest at a rate of 1%. For the year ended December 31, 2020, the loan is recorded as a current liability but will be reclassified as income in 2021. Please refer to Note 9 – Subsequent Events for further information.

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, 2020, the Church held \$46,602 on behalf of MICC.

NOTE 5 – NOTES PAYABLE

As of December 31, 2020, the Church had a note payable outstanding secured by the Church property located at 505 Bountyland Rd, Seneca, SC, with a balance due of \$415,130. Principal and interest payments of \$27,771 are payable monthly with interest accruing at 3.85%. The total amount of interest paid during 2020 was \$27,018.

Annual maturities over the next two years are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2021	\$ 322,922
2022	<u>92,208</u>
Total	<u>\$ 415,130</u>

NOTE 6 – NET ASSETS WITH RESTRICTIONS

Net assets with restrictions are available for the following purposes at December 31, 2020:

<u>Purpose</u>	<u>Amount</u>
Building Fund	\$ 78,440
Outreach	<u>85,250</u>
Total	<u>\$ 163,690</u>

See Independent Accountants’ Review Report.

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December 31, 2020

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:

2021	\$	6,444
2022		6,444
2023		<u>2,685</u>
Total	\$	<u><u>15,573</u></u>

Rent expense for the equipment under this operating lease totals \$10,202 for the year ended December 31, 2020.

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, 2020, the Church's contributions to the plan totaled \$44,567.

NOTE 9 – SUBSEQUENT EVENTS

The Church has evaluated all subsequent events through July 12, 2021, the date the financial statements were available to be issued. On March 12, 2021, the Church received notification from Community First Bank that the PPP – Loan referred to in Note 3 will be forgiven. For the year ended December 31, 2021, the loan will no longer be considered a liability and instead, will be included in income.