

**FOOTHILLS COMMUNITY CHURCH  
REVIEWED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021**

# FOOTHILLS COMMUNITY CHURCH

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## Independent Accountant's 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 not-for-profit organization) which comprise the statement of financial position – modified cash basis as of December 31, 2021, and the related statements of activities – modified cash basis, statement of functional expenses – modified cash basis, and statement of cash flows 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 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 the 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.

### Accountant's 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.

### Accountant's 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 cash basis of accounting.

Members  
American Institute of Certified Public Accountants  
S.C. Association of Certified Public Accountants



Members of the Board of Directors  
Foothills Community Church  
July 19, 2022

**Basis of Accounting**

We draw attention to Note 1 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.

*McKinley, Cooper & Co., LLC*

Greenville, South Carolina  
July 19, 2022

FOOTHILLS COMMUNITY CHURCH

STATEMENT OF FINANCIAL POSITION - MODIFIED CASH BASIS

DECEMBER 31, 2021

ASSETS

**CURRENT ASSETS**

Cash and cash equivalents	\$	836,260
Cash and cash equivalents - restricted		153,867
<b>Total current assets</b>		<u>990,127</u>

**PROPERTY AND EQUIPMENT**

Land		548,000
Buildings and building improvements		6,979,707
Sound equipment		106,344
Accumulated depreciation		(66,465)
<b>Total property, plant, and equipment, net</b>		<u>7,567,586</u>

<b>TOTAL ASSETS</b>	\$	<u>8,557,713</u>
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LIABILITIES AND NET ASSETS

**CURRENT LIABILITIES**

Payroll tax liabilities	\$	10,366
Credit cards payable		1,522
Funds held as agent		52,748
<b>Total current liabilities</b>		<u>64,636</u>

<b>TOTAL LIABILITIES</b>		<u>64,636</u>
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**NET ASSETS**

Net assets without donor restrictions		8,339,210
Net assets with donor restrictions		153,867

<b>Total net assets</b>		<u>8,493,077</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$	<u>8,557,713</u>
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See independent accountant's review report and notes to these financial statements.

**FOOTHILLS COMMUNITY CHURCH**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES AND OTHER SUPPORT</b>			
Tithes and offerings	\$ 2,304,950	\$ 254,339	\$ 2,559,289
Rental income	1,050	-	1,050
Interest income	1,124	-	1,124
PPP loan forgiveness	187,458	-	187,458
Miscellaneous income	69	-	69
	2,494,651	254,339	2,748,990
 Net assets released from restrictions	 264,162	 (264,162)	 -
 Total revenues and other support	 2,758,813	 (9,823)	 2,748,990
<b>EXPENSES</b>			
Program services	1,803,758	-	1,803,758
Management and general	229,483	-	229,483
	2,033,241	-	2,033,241
 <b>INCREASE (DECREASE) IN NET ASSETS</b>	 725,572	 (9,823)	 715,749
 <b>NET ASSETS, beginning of year</b>	 7,134,596	 163,690	 7,298,286
 <b>PRIOR PERIOD ADJUSTMENT</b>	 479,042	 -	 479,042
 <b>NET ASSETS, end of year</b>	 \$ 8,339,210	 \$ 153,867	 \$ 8,493,077

*See independent accountant's review report and notes to these financial statements.*

FOOTHILLS COMMUNITY CHURCH

**STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and benefits	\$ 1,027,255	\$ 201,724	\$ 1,228,979
Facility maintenance	52,463	2,761	55,224
Local outreach	257,492	-	257,492
Utilities	71,190	3,747	74,937
Hospitality and bookstore	66,734	-	66,734
Enterprise technology	43,057	8,446	51,503
Bank charges	26,273	5,154	31,427
Recruiting	6,827	-	6,827
Interest expense	1,577	83	1,660
Depreciation	26,586	-	26,586
Office/printing supplies	14,173	2,780	16,953
Sunday worship	52,990	-	52,990
Insurance	18,662	3,661	22,323
Children's ministries	12,863	-	12,863
Intern/resident program	19,261	-	19,261
Adult discipleship	28,463	-	28,463
Advertising	14,984	-	14,984
Care and compassion	14,115	-	14,115
Student ministries	25,660	-	25,660
Regional and international outreach	15,293	-	15,293
Telephone and internet	3,767	739	4,506
Postage	1,012	199	1,211
Professional fees	2,100	-	2,100
Association dues	961	189	1,150
	<hr/>	<hr/>	<hr/>
<b>Total functional expenses</b>	<b>\$ 1,803,758</b>	<b>\$ 229,483</b>	<b>\$ 2,033,241</b>

*See independent accountant's review report and notes to these financial statements.*

**FOOTHILLS COMMUNITY CHURCH**

**STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in net assets	\$ 715,749
Adjustments to reconcile increase in net assets to cash provided by operating activities	
Depreciation	26,586
Increase (decrease) in operating liabilities	
Credit cards payable	1,354
Payroll taxes payable	276
Funds held for MICC	6,146
<b>Net cash provided by (used in) operating activities</b>	<u>750,111</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

PPP loan	(187,457)
Principal payments of notes payable	(415,129)
<b>Net cash provided by (used in) financing activities</b>	<u>(602,586)</u>

**NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH** 147,525

**CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year** 842,602

**CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year** \$ 990,127

**SUPPLEMENTAL DISCLOSURES**

Mortgage interest expense \$ 1,660



## FOOTHILLS COMMUNITY CHURCH

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Description of Entity**

Foothills Community Church (the “Church”), a not-for-profit organization established under the laws of the State of South Carolina, operates as a religious organization.

##### **Basis of Accounting**

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain revenue and assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligations are incurred. Consequently, the Church has not recognized pledges receivable, accounts payable to vendors, and their related effects on the changes in net assets in the accompanying financial statements. In addition, certain in-kind donations have not been reflected in the accompanying financial statements. The financial statements are not intended to present financial position or results of operation in conformity with generally accepted accounting principles.

##### **Net Assets and Donor-Imposed Restrictions**

The Church has adopted the provisions of Accounting Standards Update (“ASU”) 2016-14: Not-for-Profit Entities (Topic 958) Presentation of Financial Statements for Not-for-Profit Entities as it relates to net asset classification and liquidity disclosure. The Church reports information regarding its net assets according to two classes: net assets with donor restrictions and net assets without donor restrictions. Net assets without donor restrictions represent resources whose use is not limited or restricted by donors. All contributions are considered to be without donor restrictions unless specifically restricted by the donor.

##### **Revenue Recognition**

Contributions received are recorded as unrestricted or restricted support, depending on the existence and/or nature of any donor restrictions. Gifts that are restricted for the purchase of property, equipment, or improvements are reported as restricted support. The restrictions are satisfied when the acquired assets are placed in service, unless the donor stipulates otherwise.

Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions which increase that net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Church reports that as support without donor restrictions.

##### **Use of Estimates**

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions related to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results may ultimately differ from those estimates.

## **Cash and Cash Equivalents**

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

## **Concentration of Credit Risk**

The Church maintains cash balances at three financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2021, the Church held funds totaling \$407,060 in excess of the insurance limits, resulting in cash balances that are not insured.

## **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 nondepreciable 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

## **Contributed Services and In-kind Contributions**

Local businesses and organizations have contributed significant amounts of services and materials to the Church. These items are not reflected in the financial statements, as only cash transactions are reported in the financial statements.

## **Advertising**

The Church expenses advertising as incurred. Advertising expense for the year ended December 31, 2021 totaled \$14,984.

## **Income Taxes**

The Church is exempt from income taxes under Internal Revenue Service Code Section 501(c)(3). Management is not aware of any uncertain tax positions taken.

## **NOTE 2 – LIQUIDITY AND AVAILABILITY OF FUNDS**

The Church's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, are as follows:

<b><u>Financial Assets</u></b>	
Cash and Cash Equivalents	\$ 990,127
Total Financial Assets	<u>990,127</u>
Less Financial Assets held to meet donor Imposed restrictions (Note 6)	(153,867)
Less Financial Assets held as agent (Note 4)	<u>(52,748)</u>
Amounts available for general expenditure within one year:	<u>\$ 783,512</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 added a reserve account with South State Bank and increased the reserve accounts by \$134,000 resulting in a total reserve balance of \$613,042 as of December 31, 2021.

## **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 was forgiven on March 12, 2021 to the extent proceeds of the loan were 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 was recorded as a current liability but was reclassified as income in 2021.

## **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, 2021, the Church held \$52,748 on behalf of MICC.

## **NOTE 5 – NOTES PAYABLE**

As of December 31, 2020, the Church had a note payable, secured by the Church property located at 505 Bountyland Road, Seneca, SC, with a balance due of \$415,129. Principal and interest payments of \$27,771 were payable monthly with interest accruing at 3.85%. This note was paid off January 6, 2021, for the balance due of \$415,129, with adjustments made to reflect the payoff.

**NOTE 6 – NET ASSETS WITH RESTRICTIONS**

Net assets with restrictions are available for the following purposes at December 31, 2021:

<u>Purpose</u>	<u>Amount</u>
Building Fund	\$ 103,940
Outreach	49,927
Total	<u>\$ 153,867</u>

**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 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:

2022	\$ 6,444
2023	2,685
Total	<u>\$ 9,129</u>

Rent expense for the equipment under this operating lease totals \$9,636 for the year ended December 31, 2021. An adjustment was made to separate the remaining expense of \$9,129 from the other office and printing supplies expenses.

**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, 2021, the Church’s contributions to the plan totaled \$41,087.

**NOTE 9 – PRIOR PERIOD ADJUSTMENT**

The Church has recorded a prior period adjustment of \$479,042 to the contingency fund. This adjustment is to correct that account listed as a liability as well as corresponding transfers.

**NOTE 10 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date of the accountant’s review report, which is the date the financial statements were available to be issued.