



BROOKWOODchurch
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BROOKWOOD CHURCH

Financial Statements
With Independent Auditors' Report

Year Ended September 30, 2013 and
Thirteen Months Ended September 30, 2012

BROOKWOOD CHURCH

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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, 2013 and 2012, and the related statements of activities and cash flows for the year and the thirteen months 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.

(continued)

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, 2013 and 2012, and the changes in its net assets and cash flows for the year and the thirteen months then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 10 of the notes to the financial statements, during the year ended September 30, 2013, Brookwood Church determined that registration fees included in program revenue should be recognized when earned rather than received. A prior period adjustment has been made to the beginning unrestricted net asset balance on the statement of activities for the thirteen months ended September 30, 2012.

As discussed in Note 2 of the notes to the financial statements, Brookwood Church changed its fiscal year end from August 31 to September 30 for the period ended September 30, 2012. Accordingly, the statements of activities and cash flows each present the thirteen months ended September 30, 2012.

Capin Crouse LLP

Columbia, South Carolina
January 8, 2014

BROOKWOOD CHURCH

Statements of Financial Position

	September 30,	
	2013	2012 (As restated)
ASSETS:		
Cash and cash equivalents	\$ 63,919	\$ 95,206
Bookstore inventory	34,937	24,750
Prepaid expenses	209	2,070
Notes receivable	702,260	-
Land held for sale	-	1,206,000
Property and equipment—net	19,937,881	20,974,982
Total Assets	\$ 20,739,206	\$ 22,303,008
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 49,829	\$ 43,068
Accrued expenses	155,803	137,598
Deferred revenue	41,375	26,330
Note payable	731,153	2,109,002
	978,160	2,315,998
Net assets:		
Unrestricted	19,758,552	19,497,806
Temporarily restricted	2,494	489,204
	19,761,046	19,987,010
Total Liabilities and Net Assets	\$ 20,739,206	\$ 22,303,008

See notes to financial statements

BROOKWOOD CHURCH

Statements of Activities

	Year Ended September 30, 2013			Thirteen Months Ended September 30, 2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 6,921,695	\$ 44,706	\$ 6,966,401	\$ 6,295,006	\$ 955,983	\$ 7,250,989
Program revenue	1,135,543	-	1,135,543	1,220,697	-	1,220,697
Gain on sale of assets	131,748	-	131,748	15,342	-	15,342
Other income	14,140	-	14,140	2,591	-	2,591
Net assets released from purpose restrictions	516,454	(516,454)	-	753,975	(753,975)	-
Net assets released by donor from original restriction	14,962	(14,962)	-	-	-	-
Total Support, Revenue, and Reclassifications	8,734,542	(486,710)	8,247,832	8,287,611	202,008	8,489,619
EXPENSES:						
Program services:						
Expressing Love to God	992,755	-	992,755	1,154,529	-	1,154,529
Serving Our Church and Community	744,637	-	744,637	681,966	-	681,966
Leading the Next Generation to Jesus	1,699,114	-	1,699,114	1,159,823	-	1,159,823
Taking Jesus to the World	1,519,378	-	1,519,378	910,553	-	910,553
Forming Relationships for Spiritual Growth	453,014	-	453,014	308,348	-	308,348
	5,408,898	-	5,408,898	4,215,219	-	4,215,219
Supporting activities:						
Management and general	3,064,898	-	3,064,898	3,868,795	-	3,868,795
Total Expenses	8,473,796	-	8,473,796	8,084,014	-	8,084,014
Change in Net Assets	260,746	(486,710)	(225,964)	203,597	202,008	405,605
Net Assets, Beginning of Year						
As previously reported	19,497,806	489,204	19,987,010	19,315,378	287,196	19,602,574
Prior period adjustment	-	-	-	(21,169)	-	(21,169)
As restated	19,497,806	489,204	19,987,010	19,294,209	287,196	19,581,405
Net Assets, End of Year	\$ 19,758,552	\$ 2,494	\$ 19,761,046	\$ 19,497,806	\$ 489,204	\$ 19,987,010

See notes to financial statements

BROOKWOOD CHURCH

Statements of Cash Flows

	<u>Year Ended</u> <u>September 30, 2013</u>	<u>Thirteen Months</u> <u>Ended</u> <u>September 30, 2012</u> <u>(As restated)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (225,964)	\$ 405,605
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,152,206	1,157,726
Losses (gains) on disposal of property and equipment	2,371	(15,342)
Gains on land held for sale	(132,293)	-
Change in value of interest rate swap	-	(3,456)
Accrued interest income	(2,260)	-
Changes in operating assets and liabilities:		
Inventory	(10,187)	598
Prepaid expenses	1,861	1,528
Accounts payable	6,761	(131,280)
Accrued expenses	18,205	37,745
Deferred revenue	15,045	(23,571)
Net Cash Provided by Operating Activities	<u>825,745</u>	<u>1,429,553</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(120,076)	(85,831)
Proceeds from the sale of property and equipment	2,600	16,786
Proceeds from land held for sale	638,293	-
Net Cash Provided (Used) by Investing Activities	<u>520,817</u>	<u>(69,045)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt under sweep agreement	3,494,702	2,892,624
Payments on long-term debt under sweep agreement	(4,872,551)	(4,174,622)
Net Cash Used by Financing Activities	<u>(1,377,849)</u>	<u>(1,281,998)</u>
Net Change in Cash and Cash Equivalents	(31,287)	78,510
Cash and Cash Equivalents, Beginning of Year	<u>95,206</u>	<u>16,696</u>
Cash and Cash Equivalents, End of Year	<u>\$ 63,919</u>	<u>\$ 95,206</u>
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	<u>\$ 28,815</u>	<u>\$ 56,701</u>
Notes receivable acquired through sale of land	<u>\$ 700,000</u>	<u>\$ -</u>

See notes to financial statements

BROOKWOOD CHURCH

Notes to Financial Statements

Year Ended September 30, 2013 and Thirteen Months Ended September 30, 2012

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 loving God and people by pursuing the priorities of the early church: Expressing Love to God, Serving Our Church and Community, Leading the Next Generation to Jesus, Taking Jesus to the World, and Forming Relationships for Spiritual Growth.

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.

CHANGE IN FISCAL YEAR END

During the thirteen months ended September 30, 2012, the Church decided to change its fiscal year end from August 31 to September 30. Accordingly, these financial statements present the thirteen months from September 1, 2011 through September 30, 2012.

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

Cash and cash equivalents includes checking accounts, savings accounts, and petty cash. While occasionally bank deposits may be in excess of federally insured limits, the Church has not experienced any losses in such accounts, and management believes that it is not exposed to any significant credit risk on cash and cash equivalents.

INVENTORY

Inventory consists primarily of books and goods available for sale in the bookstore. Inventory is stated at the lower of cost or market value on the first-in, first-out basis.

NOTES RECEIVABLE

Notes receivable are recorded net of any estimated credit losses. The Church's policy for determining when receivable are past due or delinquent is when a borrower is 10 days or more past due. The Church assesses finance charges against borrowers that are past due according to the terms of the note. The allowance for credit losses is maintained at a level which, in management's judgment, is adequate to absorb potential losses inherent from uncollectible receivables.

BROOKWOOD CHURCH

Notes to Financial Statements

Year Ended September 30, 2013 and Thirteen Months Ended September 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 \$1,000.

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.

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

Year Ended September 30, 2013 and Thirteen Months Ended September 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of September 30, 2013 and 2012, the Church had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

RECLASSIFICATIONS

Certain amounts from the prior year financial statements have been reclassified to conform to the current year presentation.

3. NOTES RECEIVABLE:

Notes receivable are recorded net of allowance for credit losses, if applicable, and consist of:

	September 30,	
	2013	2012
Note receivable, including accrued interest, from the purchaser of land previously held for sale by the Church. The note was issued in May 2013. Interest payments at a rate of 5.00% are due quarterly, and the principal of \$550,000 is due in a balloon payment in May 2015. The note is secured by the land sold to the borrower.	\$ 552,260	\$ -
Non-interest bearing note receivable from the purchaser of land previously held for sale by the Church. The note was issued in August 2013. The principal of \$150,000 is due in equal installments of \$50,000 annually in August 2014, 2015, and 2016. The note is unsecured.	150,000	-
	<u>\$ 702,260</u>	<u>\$ -</u>

Management has not recorded an allowance for credit losses as it believes all amounts will be fully collected from the borrowers.

BROOKWOOD CHURCH

Notes to Financial Statements

Year Ended September 30, 2013 and Thirteen Months Ended September 30, 2012

4. LAND HELD FOR SALE:

Land held for sale is recorded at the lower of cost or fair market value, and consists of:

	September 30,	
	2013	2012
Land plot #1	\$ -	\$ 636,000
Land plot #2	-	570,000
	<u>\$ -</u>	<u>\$ 1,206,000</u>

Both plots of land were sold by the Church during the year ended September 30, 2013. Notes receivable were issued for each and are disclosed in Footnote 3.

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net, consists of:

	September 30,	
	2013	2012
Buildings	\$ 14,797,003	\$ 14,797,003
Land and land improvements	7,119,609	7,119,609
Equipment	4,946,467	4,832,036
Furniture and fixtures	1,235,678	1,235,678
Vehicles	59,336	62,142
	<u>28,158,093</u>	<u>28,046,468</u>
Less accumulated depreciation	<u>(8,220,212)</u>	<u>(7,071,486)</u>
	<u>\$ 19,937,881</u>	<u>\$ 20,974,982</u>

6. NOTE PAYABLE:

Note payable consists of a line of credit due to bank, with a balance of \$731,153 and \$2,109,002 at September 30, 2013 and 2012, respectively. Interest is due in monthly installments based on 6 month LIBOR rate plus 1.2% which was 1.61% and 1.94% at September 30, 2013 and 2012, respectively. The amount of credit available under this line was originally \$7,000,000. Beginning in March 2009, this amount is being reduced by \$100,000 per calendar quarter. The amount available at September 30, 2013 and 2012 is \$5,100,000 and \$5,500,000, respectively. The Church entered into a sweep agreement with the bank in connection with this line of credit. Under this arrangement, available cash balances will be used to offset the debt balances. A final payment of all outstanding principal and interest is due August 2015. Debt is collateralized by building and land.

BROOKWOOD CHURCH

Notes to Financial Statements

Year Ended September 30, 2013 and Thirteen Months Ended September 30, 2012

7. LEASES:

The Church is a lessee of equipment under long-term operating leases. Rental expense under operating leases was \$43,287 and \$39,834 for year ended September 30, 2013 and the thirteen months ended September 30, 2012, respectively. Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of September 30, 2013, were as follows:

<u>Years Ending September 30,</u>	
2014	\$ 39,723
2015	29,331
2016	15,509
2017	13,825
2018	<u>7,231</u>
	<u>\$ 105,619</u>

8. NET ASSETS:

Net assets consist of:

	<u>September 30,</u>	
	<u>2013</u>	<u>2012</u>
Unrestricted:		
Undesignated	\$ 551,824	\$ 631,826
Equity in property and equipment	<u>19,206,728</u>	<u>18,865,980</u>
	<u>19,758,552</u>	<u>19,497,806</u>
Temporarily restricted:		
Missions Support	2,494	321,693
HR Designated Fund	-	56,188
Benevolence	-	81,697
Pastor's Designated	-	14,649
Future Capital Projects	-	14,977
	<u>2,494</u>	<u>489,204</u>
	<u>\$ 19,761,046</u>	<u>\$ 19,987,010</u>

9. EMPLOYEE BENEFITS:

The Church participates in a national retirement plan provided and administered by Guidestone Financial Resources. All pastors and full-time employees are eligible for the program. The Church makes contributions on behalf of eligible employees based on a percentage of their salary. The total retirement expenses for the year ended September 30, 2013 and the thirteen months ended September 30, 2012, were \$98,883 and \$113,334, respectively.

BROOKWOOD CHURCH

Notes to Financial Statements

Year Ended September 30, 2013 and Thirteen Months Ended September 30, 2012

10. PRIOR PERIOD ADJUSTMENT

During the current year, the Church determined that registration fees included in program revenue should be recognized when earned rather than when received. Accordingly, a prior period adjustment has been made to the beginning unrestricted net asset balance on the statement of activities for the thirteen months ended September 30, 2012.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.