



BROOKWOOD CHURCH

Financial Statements
With Independent Auditors' Report

September 30, 2016 and 2015

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, 2016 and 2015, and the related statements of activities and cash flows for the years 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.

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, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Columbia, South Carolina
December 9, 2016

BROOKWOOD CHURCH

Statements of Financial Position

	September 30,	
	<u>2016</u>	<u>2015</u>
ASSETS:		
Cash and cash equivalents	\$ 430,797	\$ 181,595
Other assets	39,198	20,574
Notes receivable	-	50,000
Property and equipment—net	<u>18,001,213</u>	<u>18,645,078</u>
Total Assets	<u><u>\$ 18,471,208</u></u>	<u><u>\$ 18,897,247</u></u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 41,676	\$ 26,819
Accrued expenses	100,202	198,732
Deferred revenue	<u>30,595</u>	<u>31,759</u>
	<u>172,473</u>	<u>257,310</u>
Net assets:		
Unrestricted	18,298,735	18,633,630
Temporarily restricted	<u>-</u>	<u>6,307</u>
	<u>18,298,735</u>	<u>18,639,937</u>
Total Liabilities and Net Assets	<u><u>\$ 18,471,208</u></u>	<u><u>\$ 18,897,247</u></u>

See notes to financial statements

BROOKWOOD CHURCH

Statement of Activities

Year Ended September 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Contributions	\$ 7,299,532	\$ 57,637	\$ 7,357,169
Program revenue	1,294,417	-	1,294,417
Other income	4,714	-	4,714
Total Support and Revenue	<u>8,598,663</u>	<u>57,637</u>	<u>8,656,300</u>
RECLASSIFICATIONS:			
Net assets released from purpose restrictions	<u>63,944</u>	<u>(63,944)</u>	<u>-</u>
EXPENSES:			
Program services:			
Expressing Love to God	820,201	-	820,201
Serving Our Church and Community	734,855	-	734,855
Leading the Next Generation to Jesus	1,827,718	-	1,827,718
Taking Jesus to the World	1,929,767	-	1,929,767
Forming Relationships for Spiritual Growth	459,673	-	459,673
	<u>5,772,214</u>	<u>-</u>	<u>5,772,214</u>
Supporting activities:			
Management and general	3,225,288	-	3,225,288
Total Expenses	<u>8,997,502</u>	<u>-</u>	<u>8,997,502</u>
Change in Net Assets	(334,895)	(6,307)	(341,202)
Net Assets, Beginning of Year	<u>18,633,630</u>	<u>6,307</u>	<u>18,639,937</u>
Net Assets, End of Year	<u>\$ 18,298,735</u>	<u>\$ -</u>	<u>\$ 18,298,735</u>

See notes to financial statements

BROOKWOOD CHURCH

Statement of Activities

Year Ended September 30, 2015

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions	\$ 7,141,717	\$ 32,900	\$ 7,174,617
Program revenue	1,363,818	-	1,363,818
Gain on sale of assets	341	-	341
Other income	21,579	-	21,579
Total Support and Revenue	8,527,455	32,900	8,560,355
RECLASSIFICATIONS:			
Net assets released from purpose restrictions	28,475	(28,475)	-
EXPENSES:			
Program services:			
Expressing Love to God	788,430	-	788,430
Serving Our Church and Community	717,912	-	717,912
Leading the Next Generation to Jesus	1,971,689	-	1,971,689
Taking Jesus to the World	2,035,893	-	2,035,893
Forming Relationships for Spiritual Growth	518,989	-	518,989
	6,032,913	-	6,032,913
Supporting activities:			
Management and general	3,120,858	-	3,120,858
Total Expenses	9,153,771	-	9,153,771
Change in Net Assets	(597,841)	4,425	(593,416)
Net Assets, Beginning of Year	19,231,471	1,882	19,233,353
Net Assets, End of Year	\$ 18,633,630	\$ 6,307	\$ 18,639,937

See notes to financial statements

BROOKWOOD CHURCH

Statements of Cash Flows

	Year Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (341,202)	\$ (593,416)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	750,609	899,052
Gain on disposal of property and equipment	-	(341)
Changes in operating assets and liabilities:		
Bookstore inventory	(18,672)	6,966
Prepaid expenses	48	15,968
Accounts payable	14,857	(87,456)
Accrued expenses	(98,530)	14,744
Deferred revenue	(1,164)	272
Net Cash Provided by Operating Activities	305,946	255,789
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(106,744)	(340,222)
Proceeds from the sale of property and equipment	-	500
Payments on notes receivable	50,000	602,260
Net Cash Provided (Used) by Investing Activities	(56,744)	262,538
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt under sweep agreement	1,072,968	1,256,911
Payments on long-term debt under sweep agreement	(1,072,968)	(1,636,363)
Net Cash Used by Financing Activities	-	(379,452)
Net Change in Cash and Cash Equivalents	249,202	138,875
Cash and Cash Equivalents, Beginning of Year	181,595	42,720
Cash and Cash Equivalents, End of Year	\$ 430,797	\$ 181,595
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	\$ 676	\$ 1,917

See notes to financial statements

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2016 and 2015

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.

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.

BOOKSTORE 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 receivables 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

September 30, 2016 and 2015

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 \$5,000.

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. The Church's policy is to convert donated securities to cash immediately upon receipt of the gift. The Church received gifts of donated stock totaling \$15,352 and \$14,830 during the years ended September 30, 2016 and 2015. These are included in operating cash flows on the statements of cash flows.

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUES, EXPENSES, AND RECLASSIFICATIONS, continued

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.

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, 2016 and 2015, 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,	
	2016	2015
Non-interest bearing note receivable from the purchaser of land previously held for sale by the Church. The note was issued in August 2013.	-	50,000
	<u>\$ -</u>	<u>\$ 50,000</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

September 30, 2016 and 2015

4. PROPERTY AND EQUIPMENT–NET:
Property and equipment–net, consists of:

	September 30,	
	2016	2015
Buildings and building improvements	\$ 14,800,103	\$ 14,800,103
Land and land improvements	7,462,573	7,425,943
Equipment	5,265,837	5,201,349
Furniture and fixtures	1,235,678	1,235,678
Vehicles	64,961	59,336
	<u>28,829,152</u>	<u>28,722,409</u>
Less accumulated depreciation	<u>(10,827,939)</u>	<u>(10,077,331)</u>
	<u>\$ 18,001,213</u>	<u>\$ 18,645,078</u>

5. NOTES PAYABLE:

The Church has a commercial loan that is a \$3,000,000 revolving line of credit, executed July 2015. The line of credit matures July 2017. The balance of the line of credit was \$0 and \$0 at September 30, 2016 and 2015, respectively. Interest is due in monthly installments based on the 30 Day LIBOR rate plus 1.2% which was 1.72% and 1.39% at September 30, 2016 and 2015, respectively. Debt is collateralized by buildings and land.

The Church entered into a daily 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 in July 2017.

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2016 and 2015

6. LEASES:

The Church leases equipment under long-term operating leases. Rental expense under operating leases was \$32,376 and \$37,958 for years ended September 30, 2016 and 2015, respectively. Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of September 30, 2016, were as follows:

<u>Years Ending September 30,</u>	
2017	\$ 32,068
2018	25,474
2019	15,255
	<u>72,797</u>
	<u>\$ 72,797</u>

7. NET ASSETS:

Net assets consist of:

	<u>September 30,</u>	
	<u>2016</u>	<u>2015</u>
Unrestricted:		
Undesignated	\$ 297,522	\$ (11,448)
Equity in property and equipment	18,001,213	18,645,078
	<u>18,298,735</u>	<u>18,633,630</u>
Temporarily restricted:		
Missions support	-	6,307
	<u>\$ 18,298,735</u>	<u>\$ 18,639,937</u>

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2016 and 2015

8. 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 years ended September 30, 2016 and 2015, were \$110,816 and \$106,214, respectively.

9. RELATED PARTY TRANSACTIONS:

During the years ended September 30, 2016 and 2015, the Church had services performed by a company owned by a trustee of the Church. Payments made to this company during the years ended September 30, 2016 and 2015, totaled \$4,967 and \$27,981, respectively.

10. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS:

The Financial Accounting Standards Board (FASB) recently issued an accounting standards update to the *Statement of Cash Flows—Overall—Other Presentation Matters* topic of the Accounting Standards Codification (ASC). The amendments in this update require classification of cash receipts from the sale of donated financial assets (e.g., debt or equity instruments) by a not-for-profit that, upon receipt of the donated financial assets, are directed for sale without any limitations and are converted nearly immediately into cash as (1) operating cash flows, or (2) if the donor has restricted the use of the securities to a long-term purpose, as financing cash flows. The amendments require classification as investing cash flows of all other cash receipts resulting from the sale of debt and equity securities not meeting the foregoing conditions for classification within operating or financing cash flows. The amendments are effective for fiscal years beginning after June 30, 2013.

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.