

REVOLUTION.TV, INC.
d/b/a REVOLUTION CHURCH

INDEPENDENT ACCOUNTANT'S FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016 - AUDITED

**REVOLUTION.TV, INC.
d/b/a REVOLUTION CHURCH**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Revolution.TV, Inc. d/b/a Revolution Church
Canton, GA

I have audited the accompanying financial statements of Revolution.TV, Inc. d/b/a Revolution Church (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Revolution.TV, Inc. d/b/a Revolution Church as of December 31, 2016, and the financial activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matter

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dennison & Company, CPA

Saint Cloud, Minnesota
March 22, 2017

REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH

(a not-for-profit corporation)

Statement of Financial Position

As of December 31, 2016

<u>ASSETS</u>	
CURRENT ASSETS	
Cash and cash equivalents	1,167,898
Total Current Assets	<u>1,167,898</u>
PROPERTY AND EQUIPMENT	
Furniture & equipment	961,018
Buildings & improvements	7,687,060
Land	1,039,130
Construction in Progress	<u>349,738</u>
Less: Accumulated depreciation	<u>(1,320,199)</u>
Total Property & Equipment	8,716,746
OTHER ASSETS	
Note receivable	26,000
Deferred Loan Fees - net of amortization	<u>50,718</u>
Total Other Assets	<u>76,718</u>
TOTAL ASSETS	<u>9,961,362</u>
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES	
Accounts payable & accrued expenses	30,245
Capital lease obligation	26,868
Current portion of mortgage payable	<u>-</u>
Total Current Liabilities	57,113
LONG-TERM LIABILITIES	
Mortgage payable - net of current portion	<u>5,540,459</u>
Total Long-term Liabilities	<u>5,540,459</u>
TOTAL LIABILITIES	<u>5,597,572</u>
NET ASSETS	
Unrestricted	4,363,790
Temporarily Restricted	<u>-</u>
Total Net Assets	<u>4,363,790</u>
TOTAL LIABILITIES AND NET ASSETS	<u>9,961,362</u>

REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH

(a not-for-profit corporation)

Statement of Activities

For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Support			
Tithes & offerings	3,764,109	-	3,764,109
Net assets released from restrictions	-	-	-
Total support	3,764,109	-	3,764,109
Revenue			
Program fees	107,007	-	107,007
Interest income	13,564	-	13,564
Total revenue	120,571	-	120,571
Total support and revenue	3,884,680	-	3,884,680
EXPENSES			
Program expenses			
Ministry	1,633,352	-	1,633,352
Missions	134,901	-	134,901
Total program expenses	1,768,254	-	1,768,254
Supporting services			
General and administrative	1,672,755	-	1,672,755
Fundraising	-	-	-
Total supporting services	1,672,755	-	1,672,755
Total expenses	3,441,009	-	3,441,009
CHANGE IN NET ASSETS	443,671	-	443,671
NET ASSETS - BEGINNING	3,920,119	-	3,920,119
NET ASSETS - END	4,363,790	-	4,363,790

REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH

(a not-for-profit corporation)

Statement of Cash Flows

For the Year Ended December 31, 2016

OPERATING ACTIVITIES

Change in net assets	443,671
Adjustments to reconcile net assets to net cash provided by operating activities	
Depreciation	341,361
(Increase) decrease in operating assets:	
Bond sinking & escrow fund	102,357
Note receivable	4,000
Deferred loan costs	181,229
Increase (decrease) in operating liabilities:	
Accounts payable & accrued expenses	(1,780)
Capital lease obligation	(46,404)
Accrued interest payable	(286,411)
Net cash provided by operating activities	<u>738,023</u>

INVESTING ACTIVITIES

Building improvements	(5,816)
Construction in progress	(349,738)
Purchase of land	(215,901)
Acquisition of furniture and equipment	(119,847)
Net cash flows from investing activities	<u>(691,302)</u>

FINANCING ACTIVITIES

Proceeds from mortgage borrowing	5,540,459
Cash paid towards mortgage principal	<u>(5,248,000)</u>
Net cash flows from financing activities	<u>292,459</u>

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 339,180

CASH AND CASH EQUIVALENTS - BEGINNING 828,716

CASH AND CASH EQUIVALENTS - ENDING 1,167,898

Supplemental Information - Cash paid for:

Interest expense	<u><u>501,065</u></u>
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REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH

(a not-for-profit corporation)
Statement of Functional Expenses
For the Year Ending December 31, 2016

	Program			Supporting Services			
	Ministry	Missions	Program Services	General and Administrative	Fundraising	Supporting Activities	Total
Advertising	-	9,013	9,013	16,144	-	16,144	25,157
Bank service charges	-	-	-	37,546	-	37,546	37,546
Depreciation	256,021	-	256,021	85,340	-	85,340	341,361
Donations	26,642	117,829	144,472	-	-	-	144,472
Events	116,122	-	116,122	21,948	-	21,948	138,070
Interest	-	-	-	501,065	-	501,065	501,065
Loan costs - unamortized	-	-	-	231,947	-	231,947	231,947
Maintenance & repairs	-	-	-	91,415	-	91,415	91,415
Operations	92,792	2,704	95,496	36,953	-	36,953	132,449
Professional fees	1,400	-	1,400	5,925	-	5,925	7,325
Salaries & related benefits	935,748	-	935,748	318,806	-	318,806	1,254,554
Staff & volunteer development	25,063	-	25,063	25,652	-	25,652	50,714
Supplies	112,810	5,355	118,165	190,749	-	190,749	308,914
Travel & conferences	66,755	-	66,755	13,016	-	13,016	79,770
Utilities	-	-	-	96,249	-	96,249	96,249
Total Expenses	1,633,352	134,901	1,768,254	1,672,755	-	1,672,755	3,441,009

NOTE 1 - NATURE OF ORGANIZATION:

Revolution.TV, Inc., d/b/a Revolution (Church) is organized and incorporated in the State of Georgia and is part of Southern Baptist Convention of the State of Georgia. The purpose of the Church is to call people to commitment to Christ and His family, to lead believers in Christ-like character, to equip believers to care for others, and to engage believers in the cause of Christ in order to celebrate God. Ministries of the Church include weekend worship services and classes, children's activities, youth groups, single adult fellowships, small group fellowships, and ministries to men, women, and families.

The Church is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code (code). The Church is classified as a publicly supported organization rather than a private foundation under Section 509(a) of the code. Contributions to the Church are deductible for federal income tax purposes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Reporting – Method of Accounting

The financial statements of the Church have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) and include all activities carried on in the name of the church. Revenues and expenses are recognized in the period earned or incurred.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205, 958-225 and 958-230 (Formerly Statement of Financial Accounting Standards (SFAS) No. 117), which provides authoritative guidance for the preparation of Financial Statements of Not-For-Profit Organizations. Under this authoritative guidance, the Church is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, as described below:

- Unrestricted net assets – represent resources over which the board has discretionary control and may be used to carry out operations of the Church in accordance with its bylaws and exempt purposes.
- Temporarily restricted net assets – are subject to temporary donor-imposed restrictions and may be fulfilled by actions of the Church to meet the donor-imposed stipulations or that become unrestricted by the passage of time.
- Permanently restricted net assets – are those contributions with donor stipulations that they be held in perpetuity with use of income for unrestricted purposes.

Cash & Cash Equivalents and Credit Risks

Cash and cash equivalents consist of cash on hand, checking accounts and savings accounts. While the Church's cash equivalents may exceed federally insured limits at times, the Church has not experienced any losses on such amounts. The Church believes it is not exposed to any significance credit risk on these accounts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The significant estimates in these financial statements include estimates of property costs and depreciation expenses.

Support, Revenue and Reclassifications

Contributions received are measured at their fair values and are reported as an increase in net assets. The Church reports gifts of cash as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions that are met in the same reporting period are reported as unrestricted support.

Revenues are reported as income when earned. Grants received in advance but not earned are reported as deferred grant revenue on the statement of financial position.

Although the Church does receive indications of intent to support dedicated funds including capital campaigns, however those commitments are faith promises and subject to unilateral change by the donor. The commitments are not considered unconditional promises to give and are not reported prior to receipt of the contribution. Upon receipt, these funds are reported as temporarily restricted capital campaign gifts.

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The Church incurred no joint costs for the year ending December 31, 2016.

Reclassifications represent net assets released when expenses have been incurred in satisfaction of the donor restrictions.

Donated Services

The Church's ministry could not be fully achieved without the dedicated efforts of many volunteers. These contributed services are not reported as they do not meet the requirements for recognition under current account standards.

Advertising Costs

The Church expenses advertising costs as they are incurred which amounted to a total of \$25,157 for the year ended December 31, 2016.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Property and Equipment

The Church follows the practice of capitalizing all expenditures for property, furniture, fixtures, equipment and leasehold improvements in excess of \$500. In accordance with GAAP, land is not depreciated and Construction-in-Progress is depreciated when it is completed and placed into service. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which generally are as follows:

Building improvements	15 – 39 years
Furniture and equipment	5 – 7 years
Software	5 years
Vehicles	5 years
Construction in progress	NA until placed into service

Depreciation expense for the year ended December 31, 2016 amounted to \$341,361.

Income Taxes

The Church is exempt from federal income and state taxes under Section 501 (c) (3) of the Internal Revenue Code and similar state statute and has not conducted unrelated business activities. Therefore, the Church has made no provision for federal or state income taxes in the accompanying financial statements.

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 upon technical merits, that the position will be sustained upon examinations. Interest and penalties, if any, are included in expenses in the statements of activities. As of December 31, 2016, the Church had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Concentration of Support Risk

Support of the Church comes primarily from tithes and offering concentrated in the Canton, Georgia and surrounding area geographical area.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Fair Value of Financial Instruments

The Church measures fair value of financial instruments based on the framework set forth by FASB ASC 820, "Fair Value Measurement and Disclosures." That framework provides a fair value hierarchy that prioritizes, into three values, the inputs to valuation techniques used to measure fair value. Following is the description of those three levels as defined in ASC 820.

Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 inputs: Inputs (other than quoted prices included in level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: Unobservable inputs for the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

There have been no significant changes in the methodologies used for the year-ended December 31, 2016.

The carrying amounts of cash and cash equivalents and the Church's investments are assumed to approximate fair value because of the short maturity/liquidity of those financial instruments.

The carrying amounts of accounts payable & accrue expenses are assumed to approximate fair value because of the short maturity of those financial instruments.

The carrying amount of the mortgage payable and capital lease obligations approximates fair value because that financial instrument yields interest at a rate that approximates current market rates for notes similar with maturities and credit quality.

See Note 5 that sets forth by level, within the fair value hierarchy, the Church's assets and liabilities at fair value as of December 31, 2016.

NOTE 3 – SHORT-TERM DEBT:

The Church has several unsecured credit cards with varying rates of interest. As of December 31, 2016, the Church has \$20,879 in outstanding credit card debt.

NOTE 4 – LONG-TERM DEBT:

Long-Term Debt consisted of the following amounts as of December 31, 2016:

The Church executed a first mortgage promissory note on December 12, 2016 with Thrivent Financial for Lutherans with a face amount of \$7,500,000. The proceeds were used to refinance existing mortgage bond debt and to fund future construction of a new worship facility in Jasper, GA. As of December 31, 2016, only \$5,540,459 had been drawn with the remaining funds being held by the lender. The terms of the mortgage note carry an annual interest rate of 3.875% with potential rate adjustments on December 15, 2023, 2030 & 2037 with a maturity date of December 15, 2042. Payments are interest-only until January 15, 2018 at which time the mortgage note will amortize based upon the total amount of proceeds drawn. Church real estate is held as collateral for this mortgage note.

Less current portion of debt

Debt-net of current portion

\$ 5,540,459

(0)

\$ 5,540,459

Interest for the year ended December 31, 2016 totaled \$477,979.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS:

As described in Note 2, the Church measures fair value of financial instruments based on the framework set forth by FASB ASC 820 that provides a fair value hierarchy that prioritizes, into three levels, the inputs to valuation techniques.

The following table sets forth by level, within the fair value hierarchy, the Church's financial assets and liabilities at fair value as of December 31, 2016

	Level 1	Level 2	Level 3	Total
<u>Financial Assets</u>				
Cash and Cash Equivalents	\$ 1,167,898	-	-	\$ 1,167,898
Note Receivable	\$ 26,000	-	-	\$ 26,000
Total financial assets fair values	<u>\$ 1,193,989</u>	<u>-</u>	<u>-</u>	<u>\$ 1,193,989</u>
<u>Financial Liabilities</u>				
Accounts Payable & Accrued Expenses	\$ 30,245	-	-	\$ 30,245
Capital Lease Obligations	\$ 26,868	-	-	\$ 26,868
Mortgage Payable	-	\$ 5,540,459	-	\$ 5,540,459
Total financial liabilities fair values	<u>\$ 57,113</u>	<u>\$ 5,540,459</u>	<u>-</u>	<u>\$ 5,597,572</u>

NOTE 6 – DEFERRED LOAN FEES:

Deferred loan fees primarily consist of costs (closing costs, title fees, property appraisal, etc.) incurred in connection with the mortgage promissory note described in note 4. As of December 31, 2016, deferred charges totaled \$50,718 with no amortization. These costs will be amortized using the straight-line method over the 5-year term of the mortgage note.

NOTE 7 – NOTES RECEIVABLE:

The church was given a 1967 Ford Shelby Cobra antique automobile during 2011 and was subsequently sold for \$104,000. As of December 31, 2016; \$78,000 had been received resulting in a net outstanding note receivable amount of \$26,000.

NOTE 8 – CAPITAL LEASE OBLIGATIONS:

The Church executed a capital lease agreement with BSB Leasing on November 19, 2012 that required 60 monthly payments of \$2,239.89 and a subsequent agreement on March 6, 2013 that required 48 monthly payments of \$1,969.79. Both lease agreements are for audio/video equipment use in the Church facilities that convert to the ownership of the Church at the completion of the terms.

Future lease payments are as follows:

2017: \$ 26,868

NOTE 9 – RETIREMENT PLAN:

The Church offers a defined contribution 403(b) retirement plan for the benefit of its eligible employees. The program covers eligible Church employees who have met the minimum age and service requirements, as defined in the plan document. The Church contributes to the retirement plan on the behalf of eligible employees. The Church contributed approximately \$43,875 to the plan during the year ended December 31, 2016.

NOTE 10 – FUNCTIONAL EXPENSES:

Expenses incurred include normal operating expenses categorized as church activities, which include the expenses of ministry to the various age levels of the congregation (youth, children, men's and women's ministries), Ministry expenses for outreach and ministry to the congregation, community. Personnel & salary expenses include all expenses involving staff costs such as salaries, insurance, payroll tax expenses and benefit costs. Certain expenses such as depreciation, advertising and some salaries & related benefits are allocated both to general & administrative (25%) and ministry (75%).

NOTE 11 – SUBSEQUENT EVENTS:

Church management has evaluated subsequent events through the report date, the date on which the financial statements were available to be issued, and found no events or transactions, which require modification to the financial statements. Subsequent events after that date have not been evaluated.