

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

INDEPENDENT AUDITOR'S FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 – AUDITED



**DENNISON CPA**  
Church & Ministry Advisor

**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, Georgia

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, 2020 and 2019, and the related statements of activities, cash flows & functional expenses 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.

**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, 2020 and 2019, and the financial activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Dennison CPA, PC*

Saint Cloud, Minnesota  
July 9, 2021

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

(a not-for-profit corporation)

Statement of Financial Position

As of December 31,

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	3,503,386	3,161,553
Total Current Assets	3,503,386	3,161,553
<b><u>PROPERTY AND EQUIPMENT</u></b>		
Furniture & equipment	1,681,409	1,604,952
Building & improvements	8,710,801	8,709,351
Land & improvements	1,923,243	1,923,243
Construction in progress	4,061,061	2,827,650
Less: Accumulated depreciation	(2,880,912)	(2,468,943)
Total Property & Equipment	13,495,602	12,596,252
<b><u>TOTAL ASSETS</u></b>	<b><u>16,998,988</u></b>	<b><u>15,757,805</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable & accrued expenses	14,692	87,475
Payroll liabilities	41,697	22,690
Credit cards payable	38,144	33,515
Current portion of capital lease obligation	38,195	36,285
Current portion of mortgage/note payable	217,348	218,050
Total Current Liabilities	350,076	398,015
<b><u>LONG-TERM LIABILITIES</u></b>		
Capital lease obligation - net	85,551	123,746
Mortgage/notes payable - net	7,596,189	7,240,689
Total Long-term Liabilities	7,681,740	7,364,435
<b><u>TOTAL LIABILITIES</u></b>	<b><u>8,031,816</u></b>	<b><u>7,762,451</u></b>
<b><u>NET ASSETS</u></b>		
Without donor restrictions		
Undesignated	3,408,853	2,947,540
Net investment in land, buildings and equipment net of related debt	5,558,319	4,977,482
Total net assets without donor restrictions	8,967,172	7,925,022
With donor restrictions	-	70,333
Total Net Assets	8,967,172	7,995,355
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>16,998,988</u></b>	<b><u>15,757,805</u></b>

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

(a not-for-profit corporation)

Statement of Activities

For the Years Ended December 31,

	2020	2019
<b><u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u></b>		
<b><u>SUPPORT AND REVENUE</u></b>		
Tithes & Offerings	4,810,252	4,419,703
Program fees	9,508	106,829
Misc. Income	28,524	73,053
Gift in kind - real estate	-	545,000
Interest Income	1,156	7,686
Total Support and Revenue	4,849,440	5,152,272
Net assets released from donor restrictions		
Restrictions satisfied by payments/time	163,603	1,053,324
Total Support and Reclassifications	5,013,043	6,205,596
 <b><u>FUNCTIONAL EXPENSES</u></b>		
Ministry & Worship	2,874,467	3,162,839
Missions & Outreach	149,283	308,178
Management and General	947,143	1,063,988
Fundraising and Development	-	14,778
Total Expenses	3,970,892	4,549,782
Increase (decrease) in net assets	1,042,151	1,655,814
 <b><u>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</u></b>		
Restricted contributions	93,270	1,049,177
Net assets released from donor restriction	(163,603)	(1,053,324)
Increase (decrease) in net assets with donor restriction	(70,333)	(4,148)
Increase (decrease) in net assets	971,817	1,651,666
 <b><u>Net Assets, Beginning Period</u></b>	 7,995,355	 6,343,689
<b><u>Net Assets, Ending Period</u></b>	8,967,172	7,995,355

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

(a not-for-profit corporation)

Statement of Cash Flows

For the Years Ended December 31,

<b><u>OPERATING ACTIVITIES</u></b>	<b>2020</b>	<b>2019</b>
Change in net assets	971,817	1,651,666
Adjustments to reconcile net assets to net cash provided by operating activities		
Amortization - deferred loan costs	10,144	10,144
Depreciation	411,969	405,763
(Increase) decrease in operating assets:		
Accounts receivable	-	26,000
Increase (decrease) in operating liabilities:		
Accounts payable & accrued expenses	(72,784)	79,345
Credit cards payable	19,007	12,464
Payroll liabilities	4,629	22,690
Net cash provided by operating activities	1,344,783	2,208,072
 <b><u>INVESTING ACTIVITIES</u></b>		
Building improvements	(1,451)	(51,974)
Construction in progress	(1,233,411)	(1,970,412)
Land & improvements	-	(545,000)
Acquisition of furniture, fixtures & equipment	(76,457)	(343,388)
Net cash flows from investing activities	(1,311,320)	(2,910,773)
 <b><u>FINANCING ACTIVITIES</u></b>		
Capital lease obligation	(36,285)	160,032
Cash paid towards mortgage payable	(49,946)	-
Proceeds from note payable	394,600	-
Proceeds from mortgage borrowing	-	1,391,113
Net cash flows from financing activities	308,369	1,551,145
 <b><u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>	 341,832	 848,443
 <b><u>CASH AND CASH EQUIVALENTS - BEGINNING</u></b>	 3,161,553	 2,313,110
 <b><u>CASH AND CASH EQUIVALENTS - ENDING</u></b>	 3,503,386	 3,161,553
 <b><u>Supplemental Information - Cash paid for:</u></b>		
Interest expense	335,844	265,732

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

(a not-for-profit corporation)

Statement of Functional Expenses

For the Year Ended December 31, 2020

	Program			Supporting Services			Total
	Ministry & Worship	Missions & Outreach	Total Program Services	Management and General	Fundraising and Development	Total Supporting Activities	
Advertising	-	-	-	46,668	-	46,668	46,668
Bank fees	-	-	-	48,302	-	48,302	48,302
Depreciation	392,075	-	392,075	19,895	-	19,895	411,969
Donations	-	148,665	148,665	-	-	-	148,665
Events	25,051	-	25,051	-	-	-	25,051
Interest	329,279	-	329,279	16,708	-	16,708	345,988
Maintenance & repairs	-	-	-	122,032	-	122,032	122,032
Operations	77,241	-	77,241	34,347	-	34,347	111,588
Professional fees	-	-	-	18,956	-	18,956	18,956
Salaries & related benefits	1,648,892	-	1,648,892	412,223	-	412,223	2,061,116
Staff development	22,448	-	22,448	7,949	-	7,949	30,397
Supplies	174,455	-	174,455	202,924	-	202,924	377,379
Travel & conferences	40,753	618	41,371	8,803	-	8,803	50,174
Utilities	164,272	-	164,272	8,336	-	8,336	172,607
<b>Total Expenses</b>	<b>2,874,467</b>	<b>149,283</b>	<b>3,023,749</b>	<b>947,143</b>	<b>-</b>	<b>947,143</b>	<b>3,970,892</b>

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

(a not-for-profit corporation)

Statement of Functional Expenses

For the Year Ended December 31, 2019

	Program			Supporting Services			Total
	Ministry & Worship	Missions & Outreach	Total Program Services	Management and General	Fundraising and Development	Total Supporting Activities	
Advertising	43,519	774	<b>44,293</b>	8,806	610	<b>9,416</b>	<b>53,709</b>
Bank service charges	-	-	-	90,797	-	<b>90,797</b>	<b>90,797</b>
Depreciation	386,168	-	<b>386,168</b>	19,595	-	<b>19,595</b>	<b>405,763</b>
Donations	-	219,050	<b>219,050</b>	-	-	-	<b>219,050</b>
Events	255,369	-	<b>255,369</b>	9,598	5,642	<b>15,240</b>	<b>270,609</b>
Interest	263,093	-	<b>263,093</b>	12,782	-	<b>12,782</b>	<b>275,876</b>
Maintenance & repairs	-	-	-	113,255	-	<b>113,255</b>	<b>113,255</b>
Operations	64,298	56,909	<b>121,208</b>	8,936	8,526	<b>17,462</b>	<b>138,670</b>
Professional fees	41,398	-	<b>41,398</b>	49,755	-	<b>49,755</b>	<b>91,153</b>
Rent - worship facility	-	-	-	79,206	-	<b>79,206</b>	<b>79,206</b>
Salaries & related benefits	1,593,851	-	<b>1,593,851</b>	531,284	-	<b>531,284</b>	<b>2,125,135</b>
Staff & volunteer developm	57,313	583	<b>57,896</b>	10,612	-	<b>10,612</b>	<b>68,508</b>
Supplies	252,093	6,620	<b>258,714</b>	96,712	-	<b>96,712</b>	<b>355,426</b>
Travel & conferences	90,016	24,242	<b>114,258</b>	778	-	<b>778</b>	<b>115,036</b>
Utilities	115,719	-	<b>115,719</b>	5,872	-	<b>5,872</b>	<b>121,591</b>
Write off - note receivable	-	-	-	26,000	-	<b>26,000</b>	<b>26,000</b>
<b>Total Expenses</b>	<b>3,162,839</b>	<b>308,178</b>	<b>3,471,017</b>	<b>1,063,988</b>	<b>14,778</b>	<b>1,078,766</b>	<b>4,549,782</b>



**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 operates two locations in Canton and Jasper, Georgia.

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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

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

Cash & Cash Equivalents and Credit Risks

Church cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

Financial instruments that potentially subject the Church to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Church maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Church's cash and cash equivalent accounts have been placed with high credit quality financial institutions and has not experienced, nor does it anticipate, any losses with respect to such accounts.

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, net asset with donor restrictions are reclassified to net assets without donor restrictions 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. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. 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 donor-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 years ended December 31, 2020 and 2019.

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

Donated Services

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the years ended December 31, 2020 and 2019.

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

Advertising Costs

The Church expenses advertising costs as they are incurred which totaled \$46,668 and \$53,709 for the years ended December 31, 2020 and 2019, respectively.

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. Maintenance, repairs and minor renewal are expensed when incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which generally are as follows:

Building & improvements	10 – 39 years
Furniture and equipment	3 – 10 years
Vehicles	5 years
Leasehold improvements	life of lease or useful life (whichever is shorter)

Depreciation expense totaled \$411,969 and \$405,763 for the years ended December 31, 2020 and 2019, respectively.

Income Taxes

The Church is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Church has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

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, 2020 and 2019, respectively, the Church had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

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

Concentration of Support Risk

The Church is primarily dependent upon contributions from its membership to meet expenses of operation and for the payment of principal and interest on debt, if any. Although management of the Church expects contributions to be adequate, there can be no assurance that such contributions will be sufficient to meet the obligations. Also; there is no assurance that Church membership will increase or remain stable, or that per capita contribution by members will increase or remain stable. Support of the Church comes primarily from tithes and offering concentrated in the Canton & Jasper Georgia and surrounding geographical area.

Fair Value of Financial Instruments

The Church reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 – Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

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

Subsequent Events

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on the Church operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Church's donors, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Church's financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

As described in Note 5, the Church received notification in 2021 of forgiveness of the \$394,600 unsecured promissory note obtained in conjunction with the Paycheck Protection Program.

Church management has evaluated subsequent events through the report date, the date on which the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

**NOTE 3 – LIQUIDITY AND AVAILABILITY:**

The Church regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Church considers all expenditures related to its ongoing programs as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Church operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows, which identifies the sources and uses of the Church's cash and shows cash generated by operations for fiscal years ending December 31, 2020 and 2019.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	12/31/2020	12/31/2019
Cash and cash equivalents	\$ 3,503,386	\$ 3,161,553
Total financial assets	3,503,386	3,161,553
Contractual or donor-imposed restrictions:		
Building fund	-	70,333
Board designations:	-	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,503,386	\$ 3,231,886

Restricted cash totaled \$0 and \$70,333 for the years ending December 31, 2020 and 2019.

**NOTE 4 – SHORT-TERM DEBT:**

The Church has several unsecured credit cards with varying rates of interest. The Church had \$38,144 and \$33,515 in outstanding credit card debt for the years ended December 31, 2020 and 2019, respectively.

**NOTE 5 – LONG-TERM DEBT:**

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

	2020	2019
<p>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, 2019 &amp; 2018, only \$7,479,026 &amp; \$6,087,913, respectively, 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 &amp; 2037 with a maturity date of December 15, 2042. Payments are interest-only until August 15, 2020 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.</p>	\$ 7,429,080	\$ 7,479,026
<p>The Church executed a \$394,600 unsecured promissory note on April 13, 2020 in conjunction with the Paycheck Protection Program. The loan was subsequently forgiven in 2021.</p>	394,600	-
	7,823,680	7,479,026
<p>Less unamortized debt issuance costs</p>	(10,144)	(20,287)
<p>Less current portion of debt</p>	(217,348)	(218,050)
<p>Debt-net of current portion</p>	\$ 7,596,189	\$ 7,240,689

**NOTE 5 – LONG-TERM DEBT: (continued)**

For years subsequent to 20120, long-term liabilities mature based upon the following schedule:

<u>Years Ending December 31,</u>	
2021	\$ 217,348
2022	225,922
2023	234,833
2024	244,096
2025	253,725
Thereafter	6,647,756
	<u>\$ 7,823,680</u>

Interest expense totaled \$310,861 and \$257,479 for the years ended December 31, 2020 and 2019, respectively.

**NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS:**

Net assets with donor restrictions are restricted for the following purposes for the years ended December 31, 2020 and 2019:

	<u>12/31/2020</u>			
Subject to expenditure for specific purpose:	Beginning Balance	Contributions and Other Income	Releases	Ending Balance
Building Fund	70,333	93,270	163,603	-
Total	<u>70,333</u>	<u>93,270</u>	<u>163,603</u>	<u>-</u>
	<u>12/31/2019</u>			
Subject to expenditure for specific purpose:	Beginning Balance	Contributions and Other Income	Releases	Ending Balance
Building Fund	74,481	1,049,177	1,053,324	70,333
Total	<u>74,481</u>	<u>1,049,177</u>	<u>1,053,324</u>	<u>70,333</u>

**NOTE 7 – RETIREMENT PLAN:**

The Church offers a defined contribution plan under IRS Section 403(b) 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 contributed approximately \$52,165 and \$53,936 to the plan during the years ended December 31, 2020 and 2019, respectively.

**NOTE 8 – LEASES:**

**Capital**

The Church entered into a \$183,884 capital lease on April 10, 2019 for audio/visual equipment. For years subsequent to 2020, minimum annual future rental interest payments under the lease agreements are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 38,195
2022	40,205
2023	42,321
2024	<u>3,024</u>
Total	<u><u>\$ 123,745</u></u>

**Operating**

The church was obligated under certain operating leases for equipment during the years ended December 31, 2020 and 2019. For years subsequent to 2020, minimum annual future rental commitments under the lease agreements are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 9,902
2022	9,902
2023	9,902
2024	<u>1,650</u>
Total	<u><u>\$ 31,356</u></u>

**NOTE 9 – FUNCTIONAL EXPENSES:**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy expenses such as; rent, utilities, mortgage interest, depreciation, and amortization, which are allocated on a square footage basis. Other expenses such as; salaries & wages, benefits, payroll taxes, and other are allocated on the basis of estimates of time and effort.



**NOTE 10 – UNAMORTIZED DEBT ISSUANCE COSTS:**

The Church incurred \$50,718 of debt issuance costs (closing costs, appraisal, title insurance, etc.) associated with the promissory note described in Note 5. These costs are being amortized using the straight-line method over the term of the promissory note. Under FASB ASC 835-30-45-1A and -3, amortized debt issuance costs are reported as interest expense and totaled \$10,144 and \$10,144 for the years ended December 31, 2020 and 2019, respectively.

For years subsequent to 2020, amortization of issuance costs is based upon the following schedule:

<u>Years Ending December 31,</u>		
2021		\$ 10,144
Thereafter		-
	Total	<u>\$ 10,144</u>

**NOTE 11 – CONTRIBUTED NONFINANCIAL ASSETS:**

The Church received the following contributions of nonfinancial assets for the years ending December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Real Estate	-	545,000
Total Contributed Nonfinancial Assets	<u>-</u>	<u>545,000</u>

All donated assets were utilized by the Church’s programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets.

**NOTE 12 – FAITH PROMISES & INTENTIONS TO GIVE:**

In the past, the Church launched a building fund campaign and asked its members to submit a commitment or pledge indicating their intent to give to the campaign. The commitment, however, is simply a statement of intent on behalf of the pledge-maker and may be altered as circumstances warrant. Since these commitments or pledges do not meet the criteria for GAAP’s revenue recognition as characterized as a promise to give – either conditional or unconditional, the intentions to give are only recognized when the commitments or pledges are actually collects. For the fiscal year ended December 31, 2020 and 2019, the Church collected \$163,603 and \$1,053,324 of such pledges, respectively.