

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

INDEPENDENT AUDITOR'S FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 – 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, 2019 and 2018, 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, 2019 and 2018, 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

Dennison CPA, PC

Saint Cloud, Minnesota
July 14, 2020

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>2019</u>	<u>2018</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	3,161,553	2,313,110
Total Current Assets	3,161,553	2,313,110
<u>PROPERTY AND EQUIPMENT</u>		
Furniture & equipment	1,604,952	1,261,564
Building & improvements	8,709,351	8,657,377
Land & improvements	1,923,243	1,378,243
Construction in progress	2,827,650	857,238
Less: Accumulated depreciation	(2,468,943)	(2,063,180)
Total Property & Equipment	12,596,252	10,091,242
<u>OTHER ASSETS</u>		
Note receivable	-	26,000
Total Other Assets	-	26,000
<u>TOTAL ASSETS</u>	<u>15,757,805</u>	<u>12,430,352</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable & accrued expenses	87,475	8,130
Payroll liabilities	22,690	-
Credit cards payable	33,515	21,051
Current portion of capital lease obligation	36,285	-
Current portion of mortgage payable	218,050	-
Total Current Liabilities	398,015	29,181
<u>LONG-TERM LIABILITIES</u>		
Capital lease obligation - net	123,746	-
Mortgage payable - net	7,240,689	6,057,482
Total Long-term Liabilities	7,364,435	6,057,482
<u>TOTAL LIABILITIES</u>	<u>7,762,451</u>	<u>6,086,663</u>
<u>NET ASSETS</u>		
Without donor restrictions	7,925,021	6,269,208
With donor restrictions	70,333	74,481
Total Net Assets	7,995,355	6,343,689
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>15,757,805</u>	<u>12,430,352</u>

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

(a not-for-profit corporation)

Statement of Activities

For the Years Ended December 31,

	2019	2018
<u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
<u>SUPPORT AND REVENUE</u>		
Tithes & Offerings	4,419,703	4,547,640
Program fees	106,829	90,211
Misc. Income	73,053	31,864
Gift in kind - real estate	545,000	-
Interest Income	7,686	8,215
Total Support and Revenue	5,152,272	4,677,929
Net assets released from donor restrictions		
Restrictions satisfied by payments/time	1,053,324	387,163
Total Support and Reclassifications	6,205,596	5,065,092
<u>FUNCTIONAL EXPENSES</u>		
Ministry & Worship	3,162,839	3,131,492
Missions & Outreach	308,178	319,533
Management and General	1,063,988	921,343
Fundraising and Development	14,778	5,168
Total Expenses	4,549,782	4,377,536
Increase (decrease) in net assets	1,655,814	687,555
<u>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</u>		
Designated contributions	1,049,177	259,757
Net assets released from donor restriction	(1,053,324)	(387,163)
Increase (decrease) in net assets with donor restriction	(4,148)	(127,406)
Increase (decrease) in net assets	1,651,666	560,149
<u>Net Assets, Beginning Period</u>	6,343,689	5,783,540
<u>Net Assets, Ending Period</u>	7,995,355	6,343,689

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

(a not-for-profit corporation)

Statement of Cash Flows

For the Years Ended December 31,

OPERATING ACTIVITIES	2019	2018
Change in net assets	1,651,666	560,149
Adjustments to reconcile net assets to net cash provided by operating activities		
Amortization - deferred loan costs	10,144	10,144
Depreciation	405,763	397,098
(Increase) decrease in operating assets:		
Accounts receivable	26,000	-
Increase (decrease) in operating liabilities:		
Accounts payable & accrued expenses	79,345	(3,947)
Credit cards payable	12,464	12,972
Payroll liabilities	22,690	-
Net cash provided by operating activities	2,208,072	976,416
INVESTING ACTIVITIES		
Building improvements	(51,974)	(281,812)
Construction in progress	(1,970,412)	(599,596)
Land & improvements	(545,000)	(23,700)
Acquisition of furniture, fixtures & equipment	(343,388)	(96,036)
Net cash flows from investing activities	(2,910,773)	(1,001,144)
FINANCING ACTIVITIES		
Capital lease obligation	160,032	-
Proceeds from mortgage borrowing	1,391,113	547,454
Net cash flows from financing activities	1,551,145	547,454
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	848,443	522,726
CASH AND CASH EQUIVALENTS - BEGINNING	2,313,110	1,790,384
CASH AND CASH EQUIVALENTS - ENDING	3,161,553	2,313,110
<u>Supplemental Information - Cash paid for:</u>		
Interest expense	265,732	224,207

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

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

(a not-for-profit corporation)

Statement of Functional Expenses

For the Year Ended December 31, 2018

	Program			Supporting Services			Total
	Ministry & Worship	Missions & Outreach	Total Program Services	Management and General	Fundraising and Development	Total Supporting Activities	
Advertising	26,341	218	26,559	10,012	-	10,012	36,571
Bank service charges	-	-	-	80,179	-	80,179	80,179
Depreciation	377,921	-	377,921	19,177	-	19,177	397,098
Donations	-	202,635	202,635	-	-	-	202,635
Events	178,962	-	178,962	3,936	668	4,604	183,566
Interest	223,034	-	223,034	11,317	-	11,317	234,351
Maintenance & repairs	-	-	-	127,182	-	127,182	127,182
Operations	74,584	83,943	158,527	11,723	-	11,723	170,251
Professional fees	8,185	-	8,185	32,645	4,500	37,145	45,330
Rent - worship facility	80,844	-	80,844	-	-	-	80,844
Salaries & related benefits	1,588,985	-	1,588,985	516,412	-	516,412	2,105,396
Staff & volunteer development	63,713	1,257	64,970	9,936	-	9,936	74,905
Supplies	270,062	2,709	272,771	92,125	-	92,125	364,896
Travel & conferences	119,010	28,770	147,781	618	-	618	148,399
Utilities	119,852	-	119,852	6,082	-	6,082	125,933
Total Expenses	<u>3,131,492</u>	<u>319,533</u>	<u>3,451,025</u>	<u>921,343</u>	<u>5,168</u>	<u>926,511</u>	<u>4,377,536</u>

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.

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.

Subsequent Events

Church management has evaluated subsequent events through the report date, the date on which the financial statements were available to be issued. Subsequent to the end of year, the COVID-19 Pandemic required the Church to suspend worship services due to state wide “stay at home” executive order, which is anticipated to negatively impact revenue, although an estimate is not possible. The COVID-19 Pandemic did not have a material financial impact on any of the Church assets.

Additionally, the Church obtained a \$394,600 unsecured loan in conjunction with the Payroll Protection Program administered through the Small Business Administration.

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.

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.

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, 2019 and 2018.

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

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

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, 2019 and 2018, respectively.

Accounts 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, 2019, \$78,000 had been received and management determined that the remaining \$26,000 was uncollectible.

Advertising Costs

The Church expenses advertising costs as they are incurred which totaled \$53,709 and \$36,571 for the years ended December 31, 2019 and 2018, 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 \$405,763 and \$397,098 for the years ended December 31, 2019 and 2018, respectively.

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

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, 2019 and 2018, respectively, the Church had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

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, 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.

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

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 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, 2019 and 2018.

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:

	12/31/2019	12/31/2018
Cash and cash equivalents	\$ 3,161,553	\$ 2,313,110
Total financial assets	3,161,553	2,313,110
Contractual or donor-imposed restrictions:		
Building fund	(70,333)	(74,481)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,091,220	\$ 2,238,629

Restricted cash totaled \$70,333 & \$74,481 for the years ending December 31, 2019 and 2018.

REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 4 – SHORT-TERM DEBT:

The Church has several unsecured credit cards with varying rates of interest. The Church had \$33,515 & \$21,051 in outstanding credit card debt for the years ended December 31, 2019 and 2018, respectively.

NOTE 5 – LONG-TERM DEBT:

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

	<u>2019</u>	<u>2018</u>
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 & 2018, only \$7,479,026 & \$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 & 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.	<u>\$ 7,479,026</u>	<u>\$ 6,087,913</u>
Less unamortized debt issuance costs	\$ (20,287)	\$ (30,431)
Less current portion of debt	<u>\$ (218,050)</u>	<u>\$ -</u>
Debt-net of current portion	<u><u>\$ 7,240,689</u></u>	<u><u>\$ 6,057,482</u></u>

For years subsequent to 2019, long-term liabilities mature based upon the following schedule:

<u>Years Ending December 31,</u>	
2020	\$ 218,050
2021	22,651
2022	235,592
2023	244,885
2024	254,544
Thereafter	<u>6,503,304</u>
	<u><u>\$ 7,479,026</u></u>

Interest expense totaled \$257,479 and \$224,207 for the years ended December 31, 2019 and 2018, respectively.

REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted for the following purposes for the years ended December 31, 2019 and 2018:

		December 31, 2019			
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	

		December 31, 2018			
Subject to expenditure for specific purpose:	Beginning Balance	Contributions and Other Income	Releases	Ending Balance	
Building Fund	201,887	259,757	387,163	74,481	

NOTE 7 – LEASES

Capital

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

<u>Year Ending December 31,</u>	
2020	\$ 36,285
2021	38,195
2022	40,205
2023	42,321
2024	3,024
Total	\$ 160,031

Operating

The church was obligated under certain operating leases for equipment during the years ended December 31, 2019 and 2018. For years subsequent to 2019, minimum annual future rental commitments under the lease agreements are as follows:

<u>Year Ending December 31,</u>	
2020	\$ 9,902
2021	9,902
2022	9,902
2023	9,902
2024	1,650
Total	\$ 41,258

NOTE 8 – 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 \$53,936 & \$67,036 to the plan during the years ended December 31, 2019 & 2018, respectively.

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, 2019 and 2018, respectively.

For years subsequent to 2019, amortization of issuance costs is based upon the following schedule:

<u>Years Ending December 31,</u>		
2020		\$ 10,144
2021		<u>10,144</u>
	Total	<u>\$ 20,287</u>

NOTE 11 – FAITH PROMISES & INTENTIONS TO GIVE:

During the fiscal year ended December 31, 2019 & 2018, 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 collect. For the fiscal year ended December 31, 2019 & 2018, the Church collected \$1,049,177 & \$259,757, respectively, of such pledges.