



BROOKWOOD CHURCH

Financial Statements
With Independent Auditors' Report

September 30, 2020 and 2019

BROOKWOOD CHURCH

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statement of Activities–2020	4
Statement of Activities–2019	5
Statements of Cash Flows	6
Notes to Financial Statements	7

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, 2020 and 2019, 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, 2020 and 2019, 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

Charlotte, North Carolina
April 1, 2021

BROOKWOOD CHURCH

Statements of Financial Position

	September 30,	
	2020	2019
ASSETS:		
Cash and cash equivalents	\$ 1,764,368	\$ 959,266
Other assets	61,956	69,630
Property and equipment—net	16,476,484	16,979,496
Total Assets	\$ 18,302,808	\$ 18,008,392
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 62,214	\$ 13,604
Accrued expenses	228,227	165,247
Deferred revenue	27,552	23,915
Capital lease obligation	31,046	43,595
Notes payable	8,978	-
	358,017	246,361
Net assets:		
Without donor restrictions	17,942,811	17,753,801
With donor restrictions	1,980	8,230
	17,944,791	17,762,031
Total Liabilities and Net Assets	\$ 18,302,808	\$ 18,008,392

See notes to financial statements

BROOKWOOD CHURCH

Statement of Activities

Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	\$ 6,812,945	\$ 1,980	\$ 6,814,925
Program revenue	852,551	-	852,551
Grant revenue	902,969	-	902,969
Other income	3,247	-	3,247
Total Support and Revenue	8,571,712	1,980	8,573,692
RECLASSIFICATIONS:			
Net assets released from purpose restrictions	8,230	(8,230)	-
EXPENSES:			
Program services:			
Communicating with God	990,257	-	990,257
Caring for Others at Brookwood	1,003,036	-	1,003,036
Caring for Others–Community & World	1,676,257	-	1,676,257
Connecting with Christians–Families	2,658,561	-	2,658,561
Connecting with Christians–Discipleship	819,809	-	819,809
	7,147,920	-	7,147,920
Supporting activities:			
Management and general	1,243,012	-	1,243,012
Total Expenses	8,390,932	-	8,390,932
Change in Net Assets	189,010	(6,250)	182,760
Net Assets, Beginning of Year	17,753,801	8,230	17,762,031
Net Assets, End of Year	\$ 17,942,811	\$ 1,980	\$ 17,944,791

See notes to financial statements

BROOKWOOD CHURCH

Statement of Activities

Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	\$ 7,390,432	\$ 8,230	\$ 7,398,662
Program revenue	1,236,420	-	1,236,420
Other income	10,901	-	10,901
Total Support and Revenue	<u>8,637,753</u>	<u>8,230</u>	<u>8,645,983</u>
RECLASSIFICATIONS:			
Net assets released from purpose restrictions	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES:			
Program services:			
Communicating with God	858,974	-	858,974
Caring for Others at Brookwood	997,432	-	997,432
Caring for Others—Community & World	1,856,799	-	1,856,799
Connecting with Christians—Families	2,820,418	-	2,820,418
Connecting with Christians—Discipleship	886,938	-	886,938
	<u>7,420,561</u>	<u>-</u>	<u>7,420,561</u>
Supporting activities:			
Management and general	1,265,229	-	1,265,229
Total Expenses	<u>8,685,790</u>	<u>-</u>	<u>8,685,790</u>
Change in Net Assets	(48,037)	8,230	(39,807)
Net Assets, Beginning of Year	<u>17,801,838</u>	<u>-</u>	<u>17,801,838</u>
Net Assets, End of Year	<u>\$ 17,753,801</u>	<u>\$ 8,230</u>	<u>\$ 17,762,031</u>

See notes to financial statements

BROOKWOOD CHURCH

Statements of Cash Flows

	Year Ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 182,760	\$ (39,807)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	632,973	632,715
Gain on disposal of property and equipment	(450)	(5,000)
Forgiveness of Paycheck Protection Program loan	(887,969)	-
Changes in operating assets and liabilities:		
Other assets	7,674	(18,674)
Accounts payable	48,610	(65,326)
Accrued expenses	62,980	11,315
Deferred revenue	3,637	(4,594)
Net Cash Provided by Operating Activities	50,215	510,629
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(129,961)	(458,382)
Proceeds from the sale of property and equipment	450	5,000
Net Cash Used by Investing Activities	(129,511)	(453,382)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligation	(12,549)	(10,632)
Proceeds on Paycheck Protection Program loan	896,947	-
Net Cash Provided (Used) by Financing Activities	884,398	(10,632)
Net Change in Cash and Cash Equivalents	805,102	46,615
Cash and Cash Equivalents, Beginning of Year	959,266	912,651
Cash and Cash Equivalents, End of Year	\$ 1,764,368	\$ 959,266
NONCASH INVESTING AND FINANCING ACTIVITY:		
Paycheck Protection Program loan forgiveness	\$ 887,969	\$ -

See notes to financial statements

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2020 and 2019

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 a transformative relationship with Jesus, in addition to loving God and loving people by pursuing these tangible priorities: Communicating with God, Connecting with Christians, and Caring for Others.

The Church is supported primarily through contributions from the congregation, as well as tuition from a preschool that is operated by the Church. The Church is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (Code) and comparable state law. Contributions to the Church are deductible from income taxes within the limitations prescribed by the Code. The Church is not a private foundation under Section 509(a)(1) of the Code.

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

The Church maintains cash and cash equivalents in financial institutions which may, at times, exceed federally insured limits. Deposits in excess of federally insured limits were \$1,491,816 and \$763,886 at September 30, 2020 and 2019, respectively. The Church has not experienced any losses on such accounts.

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.

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets.

Without donor restrictions amounts are currently available at the discretion of the advisory committee for use in operations.

With donor restrictions 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.

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. Conditional promises to give with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

The Church reports gifts of cash and other assets as support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statements of activities as satisfaction of purpose restrictions. The Church shows contributions and grants with restrictions whose restrictions are met in the same reporting period as contributions without restrictions 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.

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 (Note 8).

RECENTLY ISSUED ACCOUNTING STANDARD

In 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Church adopted the provisions of this new standard during the year ended September 30, 2020. The new standard assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance (e.g. Topic 606, *Revenue from Contracts with Customers*) and (2) determining whether a contribution is conditional. Adoption of this standard had no material effect on the financial statements.

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2020 and 2019

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following represents the Church's financial assets as of September 30, 2020, and 2019, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions.

	September 30,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 1,764,368	\$ 959,266
Less board-designated capital reserve	(712,289)	(555,667)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,052,079</u>	<u>\$ 403,599</u>

As of September 30, 2020 and 2019, respectively, the Church has financial assets available to meet general expenditures equal to approximately 49 and 25 days of normal cash expenditures, which is calculated as total expenses less depreciation. In addition, the Church has a goal to maintain cash in the operating account that is 10% of the annual budget. Funds can be made available for general expenditure from the capital reserve account if the advisory team approves the action. As more fully described in Note 5, the Church also has a line of credit in the amount of \$3,000,000, which it could draw on in the event of an unanticipated liquidity need.

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net, consists of:

	September 30,	
	2020	2019
Buildings and building improvements	\$ 15,119,222	\$ 15,073,147
Land and land improvements	7,462,573	7,462,573
Equipment	5,893,459	5,809,573
Furniture and fixtures	1,268,443	1,268,443
Vehicles	71,756	71,756
	<u>29,815,453</u>	<u>29,685,492</u>
Less accumulated depreciation	(13,338,969)	(12,705,996)
Property and equipment—net	<u>\$ 16,476,484</u>	<u>\$ 16,979,496</u>

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2020 and 2019

5. LINE OF CREDIT AND NOTE PAYABLE:

The Church has a \$3,000,000 line of credit that matures in June 2021. The balance of the line of credit was \$-0- at September 30, 2020 and 2019. Interest is due in monthly installments based on the 30 Day LIBOR rate plus 1.50% which was 1.66% and 3.58% at September 30, 2020 and 2019. Debt is collateralized by buildings and land. Interest expense under this line of credit totaled \$-0- for the years ended September 30, 2020 and 2019, respectively. The Church is in compliance with all restrictive covenants as of September 30, 2020.

On April 12, 2020, the Church qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, from a qualified lender, for an aggregate principal amount of approximately \$896,947. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Church's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Church. The Church has applied for forgiveness of the PPP Loan with respect to these covered expenses in the amount of \$887,969, as all barriers have been met as of September 30, 2020. This has been recorded as grant revenue in the statements of activities. The remaining \$8,978 will be repaid at an interest rate of 1.0% per annum, with payments commencing in November 2020, and a maturity date of April 2022.

Maturities of notes payable as of September 30, 2020, is as follows:

<u>Years Ending September 30,</u>	<u>Amounts</u>
2021	\$ 5,487
2022	3,491
Thereafter	-
	<u>\$ 8,978</u>

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2020 and 2019

6. CAPITAL LEASES:

The Church is obligated under two capital leases that expire between February 2022 and April 2023. Interest expense totaled \$5,926 and \$7,841 for the years ended September 30, 2020 and 2019, respectively. The gross amount of equipment and related accumulated amortization recorded under these capital leases was as follows:

	September 30,	
	2020	2019
Equipment	\$ 60,145	\$ 60,145
Less accumulated amortization	(31,657)	(19,628)
	\$ 28,488	\$ 40,517

Future minimum capital lease payments as of September 30, 2020, were:

Years Ending September 30,	Amounts
2021	\$ 18,474
2022	12,444
2023	4,746
Thereafter	-
	35,664
Less amount representing interest	(4,618)
Present value of net minimum capital lease payments	\$ 31,046

7. NET ASSETS:

Net assets consist of:

	September 30,	
	2020	2019
Without donor restrictions:		
Undesignated	\$ 17,230,522	\$ 17,198,134
Board-designated capital reserve	712,289	555,667
	17,942,811	17,753,801
With donor restrictions:		
Missions trip	1,980	8,230
	\$ 17,944,791	\$ 17,762,031

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2020 and 2019

8. FUNCTIONAL ALLOCATION OF EXPENSES:

In order to report the Church's expenses on a functional basis, the costs of providing various program services and supporting activities are allocated among the program services and supporting activities benefited. Salaries, taxes and benefits are allocated on a time estimate basis. Depreciation, repairs and maintenance, utilities and facilities costs are allocated based on square footage. All other natural classifications are allocated based upon an analysis of the specific activities, which is tracked through individual general ledger accounts.

Functional expenses by natural classification for the year ended September 30, 2020:

	<u>Program Activities</u>					<u>Total Program</u>	<u>Management and General</u>	<u>Total Expenses</u>
	<u>Communicating with God</u>	<u>Caring for Others at Brookwood</u>	<u>Caring for Others– Community & World</u>	<u>Connecting with Christians– Families</u>	<u>Connecting with Christians– Discipleship</u>			
Salaries, taxes, benefits	\$ 748,375	\$ 772,161	\$ 395,450	\$ 1,822,150	\$ 415,762	\$ 4,153,896	\$ 900,082	\$ 5,053,977
Contributions to missions	-	-	1,186,205	-	-	1,186,205	-	1,186,205
Depreciation	54,562	75,134	29,813	330,095	118,872	608,477	24,496	632,973
Repairs and maintenance	23,267	1,689	670	7,421	2,844	35,891	551	36,442
Utilities	14,915	20,539	8,150	90,236	32,495	166,336	6,696	173,032
Facilities	36,097	49,706	19,723	218,381	78,642	402,549	16,206	418,755
Insurance	-	-	-	404	-	404	37,632	38,036
Information technology	-	-	-	-	-	-	70,170	70,170
Activities and supplies	-	15,007	9,085	93,168	140,989	258,249	-	258,249
Cost of bookstore and café resources sold	10,636	-	-	-	13,944	24,580	-	24,580
Other expenses	102,405	68,800	27,161	96,706	16,261	311,333	187,180	498,513
	<u>\$ 990,257</u>	<u>\$ 1,003,036</u>	<u>\$ 1,676,257</u>	<u>\$ 2,658,561</u>	<u>\$ 819,809</u>	<u>\$ 7,147,920</u>	<u>\$ 1,243,012</u>	<u>\$ 8,390,932</u>

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2020 and 2019

8. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

Functional expenses by natural classification for the year ended September 30, 2019:

	Program Activities					Total Program	Management and General	Total Expenses
	Communicating with God	Caring for Others at Brookwood	Caring for Others– Community & World	Connecting with Christians– Families	Connecting with Christians– Discipleship			
Salaries, taxes, benefits	\$ 650,133	\$ 725,955	\$ 378,145	\$ 1,748,895	\$ 415,763	\$ 3,918,891	\$ 861,236	\$ 4,780,127
Contributions to missions	-	-	1,340,917	-	-	1,340,917	-	1,340,917
Depreciation	54,540	75,103	29,801	329,961	118,824	608,229	24,486	632,715
Repairs and maintenance	9,657	3,231	1,282	14,195	5,112	33,477	1,054	34,531
Utilities	16,772	23,095	9,164	101,466	36,539	187,036	7,530	194,566
Facilities	33,939	46,734	18,544	205,325	73,940	378,482	15,237	393,719
Insurance	-	-	-	345	-	345	36,356	36,701
Information technology	-	-	-	-	-	-	70,497	70,497
Activities and supplies	-	34,618	15,876	269,614	171,725	491,833	-	491,833
Cost of bookstore and café resources sold	22,948	-	-	-	37,851	60,799	-	60,799
Other expenses	70,985	88,696	63,070	150,617	27,184	400,552	248,833	649,385
	<u>\$ 858,974</u>	<u>\$ 997,432</u>	<u>\$ 1,856,799</u>	<u>\$ 2,820,418</u>	<u>\$ 886,938</u>	<u>\$ 7,420,561</u>	<u>\$ 1,265,229</u>	<u>\$ 8,685,790</u>

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2020 and 2019

9. EMPLOYEE BENEFITS:

The Church has a defined contribution retirement plan for its employees through GuideStone Financial Resources. All pastors and full-time employees are eligible for the program. The Church makes contributions of up to 5% of the employee's salary on behalf of eligible employees. The total retirement expenses for the years ended September 30, 2020 and 2019, were \$131,517 and \$118,598, respectively.

10. RELATED PARTY TRANSACTIONS:

During the year ended September 30, 2019, the Church donated to a nonprofit organization that was managed by a relative of the executive pastor and to a nonprofit organization that was managed by a relative of a trustee of the Church. These two organizations merged during the year, and are managed by a relative of a trustee of the Church. The Church donated \$864,000 and \$871,000 to these organizations during the years ended September 30, 2020 and 2019, respectively.

The Church received \$138,347 and \$147,407 in contributions from members of the Advisory Committee and senior management during the years ended September 30, 2020 and 2019, respectively.

11. EMPLOYEE WELFARE PLAN:

The Church has an employee welfare plan that provides health benefits to its employees. The plan is administered by an insurance provider, but partial liability for benefits is retained by the Church. The Church chose a high deductible plan and provides partial payments of the deductible. The Church pays claims falling between \$1,301-\$2,300 for individuals and \$2,601-\$4,600 for families. Claims paid by the Church are accrued based upon the aggregate of the liability for reported claims and an estimated liability for claims incurred but not reported. The liability is included with accrued expenses and the liability as of September 30, 2020 and 2019, was \$7,045 and \$16,621, respectively.

12. RISKS AND UNCERTAINTIES:

In March of 2020, the World Health Organization declared the outbreak of the COVID-19 as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. In response to a statewide order for churches to take precautions minimizing the spread of the virus, Brookwood cancelled all in-person worship services and other gatherings beginning in mid-March 2020 through the beginning of June 2020. The Church began having in-person gatherings with precautions starting on June 7, 2020, but many congregants continue to watch services online, or meet in virtual small groups as the pandemic continues. The Church additionally received support from the CARES Act implemented during the pandemic (Note 5). The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Church for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2020 and 2019

13. SUBSEQUENT EVENTS:

Subsequent events were evaluated through April 1, 2021, which represents the date the financial statements were available to be issued.