

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

INDEPENDENT ACCOUNTANT'S FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 & 2016 - 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, 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, 2017 & 2016, 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, 2017 & 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.

*Dennison CPA, PC*

Saint Cloud, Minnesota  
April 12, 2018

# 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>2017</u>	<u>2016</u>
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	1,790,384	1,167,898
Total Current Assets	1,790,384	1,167,898
<b><u>PROPERTY AND EQUIPMENT</u></b>		
Furniture & equipment	1,165,528	961,018
Building & improvements	8,375,565	7,687,060
Land & improvements	1,354,543	1,039,130
Construction in progress	257,642	349,738
Less: Accumulated depreciation	(1,666,082)	(1,320,199)
Total Property & Equipment	9,487,196	8,716,747
<b><u>OTHER ASSETS</u></b>		
Note receivable	26,000	26,000
Deferred loan costs - net of amortization	40,574	50,718
Total Other Assets	66,574	76,718
<b><u>TOTAL ASSETS</u></b>	<b><u>11,344,155</u></b>	<b><u>9,961,363</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable & accrued expenses	12,077	9,366
Credit cards payable	8,079	20,879
Capital lease obligation	-	26,868
Current portion of mortgage payable	142,775	-
Total Current Liabilities	162,930	57,113
<b><u>LONG-TERM LIABILITIES</u></b>		
Mortgage payable - net of current portion	5,397,684	5,540,459
Total Long-term Liabilities	5,397,684	5,540,459
<b><u>TOTAL LIABILITIES</u></b>	<b><u>5,560,615</u></b>	<b><u>5,597,572</u></b>
<b><u>NET ASSETS</u></b>		
Without donor restrictions	5,581,653	4,363,790
With donor restrictions	201,887	-
Total Net Assets	5,783,540	4,363,790
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>11,344,155</u></b>	<b><u>9,961,363</u></b>

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

(a not-for-profit corporation)

Statement of Activities

For the Years Ended December 31,

	2017	2016
<b><u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u></b>		
<b><u>SUPPORT AND REVENUE</u></b>		
Tithes & Offerings	4,188,948	3,764,109
Program fees	39,128	107,007
Misc. Income	6,967	-
Interest Income	18,594	13,564
Total Support and Revenue	4,253,638	3,884,680
Net assets released from donor restrictions		
Restrictions satisfied by payments/time	381,796	-
Total Support and Reclassifications	4,635,434	3,884,680
<b><u>FUNCTIONAL EXPENSES</u></b>		
Ministry	2,422,913	2,491,422
Missions	243,225	134,901
Management and General	731,043	814,685
Fundraising and Development	20,390	-
Total Expenses	3,417,571	3,441,009
Increase (decrease) in net assets	1,217,863	443,671
<b><u>NET ASSETS WITH DONOR RESTRICTIONS</u></b>		
Designated contributions	583,683	-
Net assets released from donor restriction	(381,796)	-
Increase (decrease) in net assets with donor restriction	201,887	-
Increase (decrease) in net assets	1,419,750	443,671
<b><u>Net Assets, Beginning Period</u></b>	<b>4,363,790</b>	<b>3,920,119</b>
<b><u>Net Assets, Ending Period</u></b>	<b>5,783,540</b>	<b>4,363,790</b>

# 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>2017</b>	<b>2016</b>
Change in net assets	1,419,750	443,671
Adjustments to reconcile net assets to net cash provided by operating activities		
Amortization	10,144	-
Depreciation	345,883	341,361
(Increase) decrease in operating assets:		
Bond sinking & escrow funds	-	102,357
Note receivable	-	4,000
Deferred loan costs	-	181,229
Increase (decrease) in operating liabilities:		
Accounts payable	2,711	9,366
Credit cards payable	(12,800)	(11,146)
Accrued interest payable	-	(286,411)
Net cash provided by operating activities	1,765,687	784,427
<b><u>INVESTING ACTIVITIES</u></b>		
Building improvements	(352,467)	(5,816)
Construction in progress	(243,942)	(349,738)
Purchase of land & improvements	(315,413)	(215,901)
Acquisition of furniture, fixtures & equipment	(204,511)	(119,847)
Net cash flows from investing activities	(1,116,333)	(691,302)
<b><u>FINANCING ACTIVITIES</u></b>		
Cash paid towards capital lease obligation	(26,868)	(46,404)
Proceeds from mortgage borrowing	-	5,540,459
Cash paid towards mortgage payable	-	(5,248,000)
Net cash flows from financing activities	(26,868)	246,055
<b><u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>	622,487	339,180
<b><u>CASH AND CASH EQUIVALENTS - BEGINNING</u></b>	1,167,898	828,716
<b><u>CASH AND CASH EQUIVALENTS - ENDING</u></b>	1,790,384	1,167,898
<b><u>Supplemental Information - Cash paid for:</u></b>		
Interest expense	214,693	501,065

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

(a not-for-profit corporation)

Statement of Functional Expenses

For the Year Ended December 31, 2017

	<b>Program</b>			<b>Supporting Services</b>			<b>Total</b>
	<b>Ministry</b>	<b>Missions</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising and Development</b>	<b>Total Supporting Activities</b>	
Advertising	14,488	-	<b>14,488</b>	14,786	20,390	<b>35,176</b>	<b>49,664</b>
Amortization	9,654	-	<b>9,654</b>	490	-	<b>490</b>	<b>10,144</b>
Bank service charges	-	-	-	58,872	-	<b>58,872</b>	<b>58,872</b>
Depreciation	329,180	-	<b>329,180</b>	16,703	-	<b>16,703</b>	<b>345,883</b>
Donations	-	207,561	<b>207,561</b>	7,643	-	<b>7,643</b>	<b>215,203</b>
Events	140,058	11,275	<b>151,334</b>	17,273	-	<b>17,273</b>	<b>168,606</b>
Interest	204,325	-	<b>204,325</b>	10,368	-	<b>10,368</b>	<b>214,693</b>
Maintenance & repairs	-	-	-	89,287	-	<b>89,287</b>	<b>89,287</b>
Operations	166,724	470	<b>167,193</b>	39,713	-	<b>39,713</b>	<b>206,906</b>
Professional fees	-	-	-	11,200	-	<b>11,200</b>	<b>11,200</b>
Salaries & related benefits	1,162,611	-	<b>1,162,611</b>	362,097	-	<b>362,097</b>	<b>1,524,708</b>
Staff & volunteer development	46,914	-	<b>46,914</b>	1,283	-	<b>1,283</b>	<b>48,197</b>
Supplies	218,528	3,633	<b>222,161</b>	78,083	-	<b>78,083</b>	<b>300,244</b>
Travel & conferences	25,525	20,287	<b>45,811</b>	17,923	-	<b>17,923</b>	<b>63,734</b>
Utilities	104,907	-	<b>104,907</b>	5,323	-	<b>5,323</b>	<b>110,230</b>
<b>Total Expenses</b>	<b>2,422,913</b>	<b>243,225</b>	<b>2,666,137</b>	<b>731,043</b>	<b>20,390</b>	<b>751,433</b>	<b>3,417,571</b>



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

(a not-for-profit corporation)

Statement of Functional Expenses

For the Year Ended December 31, 2016

	Program			Supporting Services			Total
	Ministry	Missions	Total Program Services	Management and General	Fundraising and Development	Total Supporting Activities	
Advertising	-	9,013	<b>9,013</b>	16,144	-	<b>16,144</b>	<b>25,157</b>
Bank service charges	-	-	-	37,546	-	<b>37,546</b>	<b>37,546</b>
Depreciation	324,876	-	<b>324,876</b>	16,485	-	<b>16,485</b>	<b>341,361</b>
Donations	26,642	117,829	<b>144,472</b>	-	-	-	<b>144,472</b>
Events	116,122	-	<b>116,122</b>	21,948	-	<b>21,948</b>	<b>138,070</b>
Interest	476,868	-	<b>476,868</b>	24,197	-	<b>24,197</b>	<b>501,065</b>
Loan costs - unamortized	220,746	-	<b>220,746</b>	11,201	-	<b>11,201</b>	<b>231,947</b>
Maintenance & repairs	-	-	-	91,415	-	<b>91,415</b>	<b>91,415</b>
Operations	92,792	2,704	<b>95,496</b>	36,953	-	<b>36,953</b>	<b>132,449</b>
Professional fees	1,400	-	<b>1,400</b>	5,925	-	<b>5,925</b>	<b>7,325</b>
Salaries & related benefits	935,748	-	<b>935,748</b>	318,806	-	<b>318,806</b>	<b>1,254,554</b>
Staff & volunteer development	25,063	-	<b>25,063</b>	25,652	-	<b>25,652</b>	<b>50,714</b>
Supplies	112,810	5,355	<b>118,165</b>	190,749	-	<b>190,749</b>	<b>308,914</b>
Travel & conferences	66,755	-	<b>66,755</b>	13,016	-	<b>13,016</b>	<b>79,770</b>
Utilities	91,601	-	<b>91,601</b>	4,648	-	<b>4,648</b>	<b>96,249</b>
<b>Total Expenses</b>	<u>2,491,422</u>	<u>134,901</u>	<u><b>2,626,324</b></u>	<u>814,685</u>	<u>-</u>	<u><b>814,685</b></u>	<u><b>3,441,009</b></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.

**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, 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. 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 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 years ending December 31, 2017 & 2016.

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, 2017 and 2016, 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, 2017, \$78,000 had been received resulting in a net outstanding note receivable amount of \$26,000. Management believes that Accounts Receivable will be collected in full when due. Accordingly, no provision for uncollectible Accounts Receivable is recognized in the accompanying financial statements.

Advertising Costs

The Church expenses advertising costs as they are incurred which totaled \$49,664 and \$25,157 for the years ended December 31, 2017 and 2016, 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 \$345,883 and \$341,361 for the years ended December 31, 2017 and 2016, 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. The Church has determined that there are no material uncertain tax positions that require recognition or disclosure in the 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, 2017 & 2016, 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.

Fair Value of Financial Instruments

The following table presents assets and liabilities measured at fair value on a recurring basis as of:

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
<u>Financial Assets</u>				
Cash and Cash Equivalents	1,790,384	-	-	1,790,384
Note Receivable	26,000	-	-	26,000
Total Financial Assets Fair Values	1,816,384	-	-	1,816,384
<u>Financial Liabilities</u>				
Accounts Payable & Accrued Expenses	12,077	-	-	12,077
Credit Cards Payable	8,079	-	-	8,079
Capital Lease Obligation	-	-	-	-
Mortgage Payable	5,540,459	-	-	5,540,459
Total Financial Liabilities Fair Values	5,560,615	-	-	5,560,615

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

Fair Value of Financial Instruments (continued)

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Cash and Cash Equivalents	1,167,898	-	-	1,167,898
Note Receivable	26,000	-	-	26,000
Total Financial Assets Fair Values	1,193,898	-	-	1,193,898
<b>Financial Liabilities</b>				
Accounts Payable & Accrued Expenses	9,366	-	-	9,366
Credit Cards Payable	20,879	-	-	20,879
Capital Lease Obligation	26,868	-	-	26,868
Mortgage Payable	-	5,540,459	-	5,540,459
Total Financial Liabilities Fair Values	57,113	5,540,459	-	5,597,572

Investments

Church investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

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.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Church has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**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 positive cash generated by operations for fiscal years ending December 31, 2017 and 2016.

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:

	12/31/2017	12/31/2016
Cash and cash equivalents	\$ 1,790,384	\$ 1,167,898
Accounts receivable	26,000	26,000
Total financial assets	1,816,384	1,193,898
Donor-imposed restrictions:		
Building fund	(201,887)	-
Board designations:	-	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,614,497	\$ 1,193,898

**NOTE 4 – SHORT-TERM DEBT:**

The Church has several unsecured credit cards with varying rates of interest. As of December 31, 2017 & 2016, the Church has \$8,079 & \$20,879, respectively, in outstanding credit card debt.



**NOTE 5 – LONG-TERM DEBT:**

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

	<u>2017</u>	<u>2016</u>
<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, 2017, 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 &amp; 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.</p>	<p><u>\$ 5,540,459</u></p>	<p><u>\$ 5,540,459</u></p>
<p>Less current portion of debt</p>	<p><u>\$ (142,775)</u></p>	<p><u>\$ -</u></p>
<p>Debt-net of current portion</p>	<p><u><u>\$ 5,397,684</u></u></p>	<p><u><u>\$ 5,540,459</u></u></p>

<u>Years Ending December 31,</u>	
2018	\$ 142,775
2019	148,406
2020	154,260
2021	160,345
2022	166,670
Thereafter	4,768,002
	<u><u>\$ 5,540,459</u></u>

Interest expense totaled \$168,802 and \$0 for the years ended December 31, 2017 and 2016, respectively.

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

Net assets with donor restrictions are restricted for the following purposes for the year ended December 31, 2017:

Subject to expenditure for specific purpose:	Beginning Balance	Contributions and Other Income	Releases	Ending Balance
Building Fund	-	583,683	381,796	201,887
Total	-	583,683	381,796	201,887

**NOTE 7 – 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 \$49,607 & 43,875 to the plan during the years ended December 31, 2017 & 2016, respectively.

**NOTE 8 – 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, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

**NOTE 9 – DEFERRED LOAN COSTS:**

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. These costs will be amortized using the straight-line method over the 5-year term of the mortgage note.

**NOTE 10 – FAITH PROMISES & INTENTIONS TO GIVE:**

During the fiscal year ended December 31, 2017, 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, 2017, the Church collected \$583,683 of such pledges.