



REYNOLDA CHURCH

Financial Statements
With Independent Accountants' Review Report

December 31, 2020 and 2019

REYNOLDA CHURCH

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Session
Reynolda Church
Winston-Salem, NC

We have reviewed the accompanying financial statements of Reynolda Church, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our report.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Capin Crouse LLP".

Charlotte, North Carolina
June 14, 2021

REYNOLDA CHURCH

Statements of Financial Position

	December 31,	
	2020	2019
ASSETS:		
Cash and cash equivalents	\$ 879,118	\$ 609,884
Accounts receivable and other assets	16,891	40,763
Property and equipment–net	2,610,837	2,593,326
Total Assets	\$ 3,506,846	\$ 3,243,973
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 55,269	\$ 23,579
Accrued expenses	118,807	97,791
Deferred revenue	18,988	23,305
Capital lease obligation	51,731	63,209
Note payable	62,568	-
	307,363	207,884
Net assets:		
Without donor restriction:		
Undesignated	2,877,795	2,669,049
Session designated	17,637	56,117
	2,895,432	2,725,166
With donor restriction	304,051	310,923
	3,199,483	3,036,089
Total Liabilities and Net Assets	\$ 3,506,846	\$ 3,243,973

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REYNOLDA CHURCH

Statement of Activities

Year Ended December 31, 2020

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Support:			
Tithes and offerings	\$ 2,239,217	\$ -	\$ 2,239,217
Grant revenue	364,138	-	364,138
Expansion	-	228,762	228,762
Missions and outreach	-	282,986	282,986
	<u>2,603,355</u>	<u>511,748</u>	<u>3,115,103</u>
Revenue:			
Preschool income	180,683	-	180,683
Church activity income	10,839	-	10,839
Other income	7,171	-	7,171
Total Support and Revenue	<u>2,802,048</u>	<u>511,748</u>	<u>3,313,796</u>
RECLASSIFICATIONS:			
Net assets released from restrictions	<u>518,620</u>	<u>(518,620)</u>	<u>-</u>
EXPENSES:			
Program activities:			
Outreach	383,209	-	383,209
Worship	657,917	-	657,917
Adult discipleship	139,217	-	139,217
Student discipleship	690,135	-	690,135
Church ministry	133,037	-	133,037
	<u>2,003,515</u>	<u>-</u>	<u>2,003,515</u>
Supporting activities:			
General and administrative	<u>1,146,887</u>	<u>-</u>	<u>1,146,887</u>
Total Expenses	<u>3,150,402</u>	<u>-</u>	<u>3,150,402</u>
Change in Net Assets	170,266	(6,872)	163,394
Net Assets, Beginning of Year	<u>2,725,166</u>	<u>310,923</u>	<u>3,036,089</u>
Net Assets, End of Year	<u>\$ 2,895,432</u>	<u>\$ 304,051</u>	<u>\$ 3,199,483</u>

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REYNOLDA CHURCH

Statement of Activities

Year Ended December 31, 2019

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Support:			
Tithes and offerings	\$ 2,138,028	\$ -	\$ 2,138,028
Expansion	-	403,996	403,996
Missions and outreach	-	327,030	327,030
	<u>2,138,028</u>	<u>731,026</u>	<u>2,869,054</u>
Revenue:			
Preschool income	276,116	-	276,116
Church activity income	67,681	-	67,681
Other income	19,437	-	19,437
Total Support and Revenue	<u>2,501,262</u>	<u>731,026</u>	<u>3,232,288</u>
RECLASSIFICATIONS:			
Net assets released from restrictions	<u>869,753</u>	<u>(869,753)</u>	<u>-</u>
EXPENSES:			
Program activities:			
Outreach	485,621	-	485,621
Worship	590,481	-	590,481
Adult discipleship	108,874	-	108,874
Student discipleship	819,313	-	819,313
Church ministry	202,063	-	202,063
	<u>2,206,352</u>	<u>-</u>	<u>2,206,352</u>
Supporting activities:			
General and administrative	1,126,608	-	1,126,608
Fundraising	29,306	-	29,306
	<u>1,155,914</u>	<u>-</u>	<u>1,155,914</u>
Total Expenses	<u>3,362,266</u>	<u>-</u>	<u>3,362,266</u>
Change in Net Assets	8,749	(138,727)	(129,978)
Net Assets, Beginning of Year	<u>2,716,417</u>	<u>449,650</u>	<u>3,166,067</u>
Net Assets, End of Year	<u>\$ 2,725,166</u>	<u>\$ 310,923</u>	<u>\$ 3,036,089</u>

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REYNOLDA CHURCH

Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 163,394	\$ (129,978)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	184,129	171,568
Contributions restricted for expansion	(228,762)	(408,996)
Non-cash loan forgiveness recognized as revenue	(364,138)	-
Loss on disposal of property, plant and equipment	-	1,257
Changes in operating assets and liabilities:		
Accounts receivable and other assets	23,872	(4,470)
Accounts payable	31,690	(16,452)
Accrued expenses	21,016	(4,075)
Deferred revenue	(4,317)	153
Net Cash Used by Operating Activities	<u>(173,116)</u>	<u>(390,993)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(138,188)</u>	<u>(247,577)</u>
Net Cash Used by Investing Activities	<u>(138,188)</u>	<u>(247,577)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligations	(11,478)	(25,792)
Proceeds from Paycheck Protection Program loan	364,138	-
Payments on notes payable	(884)	-
Contributions restricted for expansion	228,762	408,996
Net Cash Provided by Financing Activities	<u>580,538</u>	<u>383,204</u>
Net Change in Cash and Cash Equivalents	269,234	(255,366)
Cash and Cash Equivalents, Beginning of Year	<u>609,884</u>	<u>865,250</u>
Cash and Cash Equivalents, End of Year	<u>\$ 879,118</u>	<u>\$ 609,884</u>
SUPPLEMENTAL DISCLOSURE:		
Property and equipment acquired through capital lease	<u>\$ -</u>	<u>\$ 63,209</u>
Property and equipment acquired through debt	<u>\$ 63,452</u>	<u>\$ -</u>
Non-cash loan forgiveness recognized as revenue	<u>\$ 364,138</u>	<u>\$ -</u>

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REYNOLDA CHURCH

Statement of Functional Expenses

Year Ended December 31, 2020

	Program Activities					Support Services		Total
	Outreach	Worship	Adult Discipleship	Student Discipleship	Church Ministry	Total Program	Management and General	
Salaries and benefits	\$ 81,367	\$ 554,572	\$ 121,509	\$ 480,443	\$ 85,703	\$ 1,323,594	\$ 533,243	\$ 1,856,837
Benevolence	100	-	-	-	24,694	24,794	81,985	106,779
Contract services	2,250	3,099	720	26,993	15,710	48,772	247,819	296,591
Repairs and equipment	363	10,591	-	-	-	10,954	64,501	75,455
Supplies	4,956	19,262	13,876	52,049	1,913	92,056	43,008	135,064
Utilities	954	3,979	773	4,474	955	11,135	74,987	86,122
Insurance—property	-	-	-	426	-	426	38,641	39,067
Training and conferences	27	1,423	344	14,626	317	16,737	787	17,524
Travel	871	2,427	265	1,302	239	5,104	4,102	9,206
Financial services	-	-	-	1,844	-	1,844	34,634	36,478
Missions support	292,111	-	-	-	-	292,111	451	292,562
Licensure	-	1,290	-	-	-	1,290	4,091	5,381
Other expenses	210	3,677	1,121	775	3,373	9,156	51	9,207
Depreciation	-	57,597	609	107,203	133	165,542	18,587	184,129
Total	\$ 383,209	\$ 657,917	\$ 139,217	\$ 690,135	\$ 133,037	\$ 2,003,515	\$ 1,146,887	\$ 3,150,402

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REYNOLDA CHURCH

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Activities					Support Services				
	Outreach	Worship	Adult Discipleship	Student Discipleship	Church Ministry	Total Program	Management and General	Fundraising	Total Support	
Salaries and benefits	\$ 98,969	\$463,375	\$ 78,555	\$ 571,046	\$ 98,111	\$ 1,310,056	\$ 577,445	\$ -	\$ 577,445	\$1,887,501
Benevolence	-	-	-	-	27,910	27,910	-	-	-	27,910
Contract services	4,376	7,713	1,329	24,518	1,200	39,136	249,277	29,306	278,583	317,719
Repairs and equipment	1,288	23,666	7,195	8,321	313	40,783	49,336	-	49,336	90,119
Supplies	3,578	29,916	13,860	82,605	5,093	135,052	78,222	-	78,222	213,274
Utilities	1,187	3,483	1,148	3,477	880	10,175	88,559	-	88,559	98,734
Insurance—property	-	-	-	384	-	384	37,084	-	37,084	37,468
Training and conferences	879	2,866	862	59,150	2,321	66,078	1,921	-	1,921	67,999
Travel	1,074	5,487	326	1,604	295	8,786	4,607	-	4,607	13,393
Financial services	5,976	6,783	1,891	8,926	1,639	25,215	9,790	-	9,790	35,005
Missions support	364,370	-	-	4,560	-	368,930	26	-	26	368,956
Licensure	-	1,499	-	-	-	1,499	2,656	-	2,656	4,155
Other expenses	3,924	2,147	3,099	3,782	8,039	20,991	7,474	-	7,474	28,465
Depreciation	-	43,546	609	50,940	56,262	151,357	20,211	-	20,211	171,568
Total	\$ 485,621	\$590,481	\$ 108,874	\$ 819,313	\$202,063	\$ 2,206,352	\$ 1,126,608	\$ 29,306	\$ 1,155,914	\$ 3,362,266

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REYNOLDA CHURCH

Notes to Financial Statements

December 31, 2020 and 2019

1. NATURE OF ORGANIZATION:

Reynolda Church (the Church) is incorporated under the laws of the state of North Carolina as a nonprofit religious corporation. The Church was organized in 1914. It incorporated on January 28, 1985, and affiliated with the Evangelical Presbyterian Church in 1987. The Church's mission is to Love God, Love Each Other, Love the World. The Church is dedicated to spreading the gospel through establishing, developing, and promoting all aspects of Church ministry within Winston-Salem, North Carolina, and the surrounding communities. The Church is exempt from federal income taxes under Internal Revenue Code (Code) Section 501(c)(3) and comparable state law and is classified as a publically supported organization, which is not a private foundation, under Section 509(a)(1) of the Code. The primary activities of the Church are church services and related events. The Church's primary source of income is contributions. The Church operates a preschool which is supported by fees charged to parents and guardians of the children.

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

Cash and cash equivalents consist of checking accounts, a money market savings account, and petty cash. At December 31, 2020 and 2019, the Church's cash balances exceeded federally insured limits by \$528,509 and \$314,746. The Church does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

ACCOUNTS RECEIVABLE AND OTHER ASSETS

Accounts receivable and other assets consists of sales tax receivable, preschool tuition receivable and prepaid expenses. Experience has shown that the receivables are collectible with a high degree of reliability. Accordingly, no allowance is recorded.

PROPERTY AND EQUIPMENT

Property, buildings, and equipment is stated at cost, if purchased, or fair value if donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets: furniture and equipment (3-15 years), land improvements (20 years), building improvements (20 years), and buildings (30 years). The Church capitalizes all property and equipment with a cost or value in excess of \$2,000.

REYNOLDA CHURCH

Notes to Financial Statements

December 31, 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.

Net assets without donor restriction amounts are currently available at the discretion of the session for use in operations. Session designated net assets are earmarked by the session for a specific purpose and are to be used for that purpose unless the session approves otherwise.

Net assets with donor restriction 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.

All contributions are considered available for general use unless specifically restricted by the donor or subject to other legal restrictions.

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.

The Church reports gifts of cash and other assets as restricted support 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 donor restriction and reported in the statements of activities as net assets are released from restrictions.

Donated goods (including securities, property, and equipment) are recorded at fair value at the date of the gift. Donated services are recorded if they create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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, depreciation and salaries and benefits expense have been allocated among the program services and supporting activities benefited. Depreciation is allocated on an asset usage basis and salaries and benefits are allocated based on time and effort.

REYNOLDA CHURCH

Notes to Financial Statements

December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PAYCHECK PROTECTION PROGRAM

In April 2020, the Church qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the “PPP Lender”), for an aggregate principal amount of \$364,138 (the “PPP Loan”). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has an initial term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. 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. As of December 31, 2020, the Church determined that it qualified for forgiveness of the entire loan in the amount of \$364,138, which is included in grant revenue without donor restriction on the statements of activities. The Church shows grants with donor restrictions whose restrictions are met in the same reporting period as grants without donor restrictions.

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2018, the Financial Accounting Standards Board issued Accounting Standards Update (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 December 31, 2019, as a resource recipient and as a resource provider in the current year. Adoption of this standard did not have a material effect on the financial statements.

REYNOLDA CHURCH

Notes to Financial Statements

December 31, 2020 and 2019

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Church's financial assets as of the statement of financial position date. The Church also has \$17,637 in session-designated financial assets that could be used to fund general expenditures within one year, if approved by the session. Also, the Church has a \$500,000 line of credit that could be drawn upon, if needed to meet cash needs for general expenditures within one year. The Church has a policy to structure its financial assets for availability for expenses and other obligations as they come due in a prudent manner. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Financial assets available to meet cash needs for general expenditures within one year:

	December 31,	
	2020	2019
Cash and cash equivalents	\$ 879,118	\$ 609,884
Accounts receivable	16,365	31,639
	<u>895,483</u>	<u>641,523</u>
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions	(211,006)	(223,816)
Session designations:		
Audit reserve	-	(5,573)
Capital reserve	(17,637)	(50,544)
	<u>(228,643)</u>	<u>(279,933)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 666,840</u>	<u>\$ 361,590</u>

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net, consists of:

	December 31,	
	2020	2019
Land and improvements	\$ 308,339	\$ 308,339
Buildings and building improvements	4,607,367	4,480,749
Furniture and equipment	1,752,834	1,677,812
Vehicles	97,110	97,110
	<u>6,765,650</u>	<u>6,564,010</u>
Less accumulated depreciation	<u>(4,154,813)</u>	<u>(3,970,684)</u>
	<u>\$ 2,610,837</u>	<u>\$ 2,593,326</u>

REYNOLDA CHURCH

Notes to Financial Statements

December 31, 2020 and 2019

5. LEASES:

The Church is obligated under a capital lease for a copier that expires in 2024. The gross amount of equipment and related accumulated amortization recorded under these capital leases was as follows:

	December 31,	
	2020	2019
Equipment	\$ 51,731	\$ 63,209
Less accumulated amortization	(12,642)	-
	<u>\$ 39,089</u>	<u>\$ 63,209</u>

Future minimum capital lease payments as of December 31, 2020, are:

<u>Year Ending December 31,</u>	<u>Amounts</u>
2021	\$ 14,088
2022	14,088
2023	14,088
2024	14,088
Thereafter	-
	<u>56,352</u>
Less amount representing interest	(4,621)
	<u>\$ 51,731</u>

The Church leased spaces for Sunday worship and offices under long-term operating leases. Rental expense was \$58,991 and \$73,759 for the years ended December 31, 2020 and 2019, respectively. The Church's leases expired in 2020. There are no future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2020.

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Notes to Financial Statements

December 31, 2020 and 2019

6. LINE OF CREDIT:

Reynolda Church has a \$500,000 line of credit with a financial institution that expires on July 31, 2022. There were no obligations associated with this line of credit as of December 31, 2020 and 2019, respectively.

7. NOTE PAYABLE:

Note payable consist of:

	December 31,	
	2020	2019
The Church entered into a note payable with a financial institution effective June 2020 and matures in September 2027. The note requires interest only payments during the advance period. Monthly principal and interest payments of \$925 began in October 2020. the interest rate was fixed at 5.93% as of December 31, 2020. The note is secured by equipment.		
	\$ 62,568	\$ -

Maturities of note payable are as follows:

<u>Years Ending December 31,</u>	<u>Amounts</u>
2021	\$ 7,591
2022	8,054
2023	8,545
2024	9,066
2025	9,618
Thereafter	19,694
	<u>\$ 62,568</u>

Interest expense for the years ended December 31, 2020 and 2019, was \$4,501 and \$6,243, respectively.

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Notes to Financial Statements

December 31, 2020 and 2019

8. NET ASSETS:

Net assets consist of:

	December 31,	
	2020	2019
Without donor restriction:		
Undesignated	\$ 2,877,795	\$ 2,669,049
Session designated:		
Capital reserve	17,637	50,544
Audit reserve	-	5,573
	<u>17,637</u>	<u>56,117</u>
	<u>2,895,432</u>	<u>2,725,166</u>
With donor restriction:		
Missions and outreach	75,030	64,127
Expansion	211,006	223,816
Benevolence	18,015	22,980
	<u>304,051</u>	<u>310,923</u>
	<u>\$ 3,199,483</u>	<u>\$ 3,036,089</u>

9. RETIREMENT PROGRAM:

The Church sponsors a traditional retirement plan through the Evangelical Presbyterian Church Denomination, which is held with Fidelity. All full-time employees are eligible to participate in the retirement program. The Church contributes 10% for all Evangelical Presbyterian Church pastors and 4.5% for all other full time employees. Employees make additional voluntary contributions from their salary. Employer contributions to the plan totaled \$44,615 and \$41,640 for the years ended December 31, 2020 and 2019, respectively.

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Notes to Financial Statements

December 31, 2020 and 2019

10. RELATED PARTIES:

The Church contributed funds to Sharing The Light (STL), a para-church ministry formed by their senior pastor. STL is not under control of the Church and functions under a separate board. For the years ended December 31, 2020 and 2019, the Church donated \$39,688 and \$41,055, respectively, to STL in direct support of the organization's mutual goal of spreading the gospel.

During the years ended December 31, 2020 and 2019, the Church received contributions from members of the session board in the amount of \$265,730 and \$236,639, respectively.

11. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of the coronavirus (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. COVID-19 pandemic did not have a significant impact on contributions and operations of the church during 2020. 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.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through June 14, 2021, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.