

**Audited Financial Statements**

# **FAITH BAPTIST CHURCH OF WATERFORD**

(A Michigan Non-Profit Organization)

**December 31, 2020 and 2019**

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## INDEPENDENT AUDITOR'S REPORT

### To the Board of Directors of Faith Baptist Church of Waterford

We have audited the accompanying financial statements of Faith Baptist Church of Waterford (a Michigan Non-Profit Organization) which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses 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.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 of 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 the 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.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Faith Baptist Church of Waterford as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Croskey Lanni, PC

June 24, 2021  
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**FAITH BAPTIST CHURCH OF WATERFORD  
(A MICHIGAN NON-PROFIT ORGANIZATION)**

STATEMENTS OF FINANCIAL POSITION

**ASSETS**

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 664,508	\$ 94,636
Accounts receivable	6,097	5,864
Prepaid expenses	25,261	23,327
Total current assets	695,866	123,827
<b>Land Contract Receivable</b>	111,202	126,440
<b>Property and Equipment</b> - net of accumulated depreciation	10,042,401	10,313,848
Total assets	\$ 10,849,469	\$ 10,564,115

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable	\$ 26,425	\$ 95,917
Accrued expenses	203,390	213,244
Current portion of long-term debt	444,101	207,334
Total current liabilities	673,916	516,495
<b>Long-Term Liabilities</b>		
Long-term debt, net	5,978,347	5,799,959
Loan costs, net of accumulated amortization	(112,827)	-
Total liabilities	6,539,436	6,316,454
<b>Net Assets</b>		
Without donor restrictions	4,289,558	4,247,661
With donor restrictions	20,475	-
Total net assets	4,310,033	4,247,661
Total liabilities and net assets	\$ 10,849,469	\$ 10,564,115

See accompanying notes to financial statements

**FAITH BAPTIST CHURCH OF WATERFORD  
(A MICHIGAN NON-PROFIT ORGANIZATION)**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenues</b>			
Contributions	\$ 3,969,457	\$ 20,475	\$ 3,989,932
Interest income	4,404	-	4,404
Expense reimbursement and other income	21,944	-	21,944
	<hr/>	<hr/>	<hr/>
Total support and revenues	3,995,805	20,475	4,016,280
<b>Functional Expenses</b>			
Program	2,727,231	-	2,727,231
Administrative	1,226,677	-	1,226,677
	<hr/>	<hr/>	<hr/>
Total functional expenses	3,953,908	-	3,953,908
<b>Increase in Net Assets</b>	41,897	20,475	62,372
<b>Net Assets - Beginning of Year</b>	<hr/> 4,247,661	<hr/> -	<hr/> 4,247,661
<b>Net Assets - End of Year</b>	<hr/> <u>\$ 4,289,558</u>	<hr/> <u>\$ 20,475</u>	<hr/> <u>\$ 4,310,033</u>

See accompanying notes to financial statements

**FAITH BAPTIST CHURCH OF WATERFORD  
(A MICHIGAN NON-PROFIT ORGANIZATION)**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenues</b>			
Contributions	\$ 4,488,545	\$ -	\$ 4,488,545
Interest income	1,485	-	1,485
Loss on disposal of assets	(163,211)	-	(163,211)
Expense reimbursement and other income	1,472,370	-	1,472,370
	<hr/>	<hr/>	<hr/>
Subtotal	5,799,189	-	5,799,189
	<hr/>	<hr/>	<hr/>
Net assets released from restrictions	5,000	(5,000)	-
	<hr/>	<hr/>	<hr/>
Total support and revenues	5,804,189	(5,000)	5,799,189
	<hr/>	<hr/>	<hr/>
<b>Functional Expenses</b>			
Program	3,855,141	-	3,855,141
Administrative	1,256,058	-	1,256,058
	<hr/>	<hr/>	<hr/>
Total functional expenses	5,111,199	-	5,111,199
	<hr/>	<hr/>	<hr/>
<b>Increase in Net Assets</b>	692,990	(5,000)	687,990
	<hr/>	<hr/>	<hr/>
<b>Net Assets - Beginning of Year</b>	3,554,671	5,000	3,559,671
	<hr/>	<hr/>	<hr/>
<b>Net Assets - End of Year</b>	<u>\$ 4,247,661</u>	<u>\$ -</u>	<u>\$ 4,247,661</u>

See accompanying notes to financial statements

**FAITH BAPTIST CHURCH OF WATERFORD  
(A MICHIGAN NON-PROFIT ORGANIZATION)**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Salary and wages	\$ 1,693,457	\$ 124,349	\$ 1,817,806
Employee benefits	184,034	55,220	239,254
Payroll taxes	68,617	5,212	73,829
Amortization	-	948	948
Depreciation	293,812	73,453	367,265
Office expense	93,978	23,495	117,473
Insurance	116,415	6,450	122,865
Professional fees	-	54,419	54,419
Utilities	61,068	142,187	203,255
Events	159,869	-	159,869
Repair and maintenance	-	224,607	224,607
Taxes and license fees	-	14,063	14,063
Bank charges	-	2,354	2,354
Interest expense	-	462,226	462,226
Auto expense	-	10,469	10,469
Travel expense	813	-	813
Meals and entertainment	4,078	1,020	5,098
Mission support	50,251	-	50,251
Workshop	725	-	725
Lease	-	26,177	26,177
Miscellaneous/general	114	28	142
	<u>114</u>	<u>28</u>	<u>142</u>
Total expenses	<u>\$ 2,727,231</u>	<u>\$ 1,226,677</u>	<u>\$ 3,953,908</u>

See accompanying notes to financial statements

**FAITH BAPTIST CHURCH OF WATERFORD  
(A MICHIGAN NON-PROFIT ORGANIZATION)**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Salary and wages	\$ 1,922,000	\$ 129,152	\$ 2,051,152
Employee benefits	15,506	4,653	20,159
Payroll taxes	84,440	6,414	90,854
Depreciation	273,447	68,362	341,809
Office expense	134,906	33,726	168,632
Insurance	359,907	19,942	379,849
Professional fees	-	30,380	30,380
Rent	-	12,400	12,400
Utilities	26,771	173,437	200,208
Events	465,805	-	465,805
Repair and maintenance	-	291,846	291,846
Taxes and license fees	-	3,120	3,120
Bank charges	-	3,304	3,304
Interest expense	-	385,509	385,509
Auto expense	-	12,609	12,609
Travel expense	116,918	4,365	121,283
Meals and entertainment	20,643	5,161	25,804
Mission support	302,001	-	302,001
Workshop	163	-	163
Lease	-	38,520	38,520
Miscellaneous/general	132,634	33,158	165,792
	<u>\$ 3,855,141</u>	<u>\$ 1,256,058</u>	<u>\$ 5,111,199</u>
Total expenses			

See accompanying notes to financial statements



**FAITH BAPTIST CHURCH OF WATERFORD  
(A MICHIGAN NON-PROFIT ORGANIZATION)**

STATEMENTS OF CASH FLOWS

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash Flows From Operating Activities</b>		
Change in net assets		
Increase in net assets	\$ 62,372	\$ 687,990
Adjustments to reconcile change in net assets to		
Net cash flows from operating activities:		
Depreciation and amortization	368,213	341,809
Loss on disposal of assets	-	163,211
Decrease (increase) in operating assets		
Accounts receivable	(233)	(5,864)
Prepaid expenses	(1,934)	(2,639)
Increase (decrease) in operating liabilities		
Accounts payable	(69,492)	39,523
Accrued expenses	(9,854)	195,106
	349,072	1,419,136
<b>Net Cash Flows Provided by Operating Activities</b>		
<b>Cash Flows From Investing Activities</b>		
Proceeds from land contract receivable	-	(135,000)
Principal payments received on land contract receivable	15,239	8,560
Purchases of property and equipment	(95,818)	(1,585,145)
Proceeds from sale of property and equipment	-	224,506
	(80,579)	(1,487,079)
<b>Net Cash Flows Used in Investing Activities</b>		
<b>Cash Flows From Financing Activities</b>		
Loan costs paid from proceeds	(113,775)	-
Repayment of long-term debt	(6,020,087)	(207,596)
Proceeds from long-term debt	6,435,242	-
	301,380	(207,596)
<b>Net Cash Flows Provided by (Used in) Financing Activities</b>		
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	569,873	(275,539)
<b>Cash and Cash Equivalents - Beginning</b>	94,636	370,175
<b>Cash and Cash Equivalents - Ending</b>	\$ 664,509	\$ 94,636
<b>Supplemental Disclosure:</b>		
Interest paid during the current year	\$ 463,260	\$ 386,543

See accompanying notes to financial statements

**FAITH BAPTIST CHURCH OF WATERFORD  
(A MICHIGAN NON-PROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

This summary of significant accounting policies of Faith Baptist Church of Waterford (the "Church") is presented to assist in understanding the Church's financial statements. The financial statements and notes are representations of the Church's management, which is responsible for their integrity and objectivity.

**Organization**

Faith Baptist Church of Waterford's administrative office is located in Holly, Michigan. Worship locations include Waterford, Holly, Burton, Davison, Goodrich and Grand Blanc, Michigan. The Church conducts services of worship, provides for the Christian education and pastoral care of its members and other individuals, and organizes benevolent efforts that seek to alleviate deprivation and suffering of people in its community and around the world. The Church's primary source of support is from the voluntary contributions of its members.

**Basis of Accounting**

The accompanying financial statements of the Church were prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

**Financial Statement Presentation and Contributions**

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

Net assets with restrictions: Net assets with restrictions include net assets subject to imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Net assets without restrictions: Net assets not subject to imposed stipulations. Revenue that is restricted is reported as an increase in net assets without restrictions if the restriction expires in the reporting period in which the support is recognized. All other restricted support is reported as an increase in net assets with restrictions. When a restriction expires restricted net assets are reclassified to net assets without restrictions.

**Revenue Recognition**

Contributions received are recorded as support without restrictions or with restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in restricted net assets, depending on the nature of the restriction. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the statements of revenues, expenses and changes in net assets as net assets released from restriction.

**Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**FAITH BAPTIST CHURCH OF WATERFORD  
(A MICHIGAN NON-PROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Income Taxes**

Faith Baptist Church of Waterford is a non-profit organization exempt from federal income taxes under the Internal Revenue Code (IRC). However, income from certain activities not directly related to the Church's tax-exempt purpose is subject to taxation as unrelated business income. The prior three years of information returns are typically open to audit by the Internal Revenue Service.

Faith Baptist Church of Waterford is also a public charity under the IRC Section 170(b)(1)(A)(vi). This allows donations to the Church to be classified as charitable contributions by donors. . Additionally, the Church qualifies as a religious order in accordance with IRC Sections 501- 514, 4940-4947, and 6033; therefore, the Church is exempt from filing federal Form 990, Return of Organization Exempt from Income Tax.

**Cash and Cash Equivalents**

Cash and cash equivalents are defined as cash on hand and demand deposits in banks plus short-term investments that are readily convertible to cash as well as investments with original maturities of three months or less.

**Property and Equipment**

Property and equipment consist of assets used in the operations of the Church. Property and equipment purchased by the Church is recorded at cost. Property and equipment donated to the Church has been recorded at its estimated fair market value at the date of donation. Expenditures for major betterments and additions are charged to the property accounts, while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. Depreciation is recorded using the straight-line and accelerated methods to allocate the cost of the respective items over their estimated useful lives ranging from three to forty years.

**Functional Allocation of Expenses**

Expenses have been allocated between program and administrative on various bases and estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different results.

**Donated Services**

No value of donated services is reflected in the accompanying financial statements because these services have not created or enhanced a non-financial asset, nor are they specialized skills provided by entities or persons possessing those skills that would be purchased if they were not donated. However, a number of volunteers have donated significant amounts of their time in the Church's activities.

**Credit Risk**

Faith Baptist Church of Waterford's management does not believe it is exposed to any significant credit risks in cash and short-term investments.

**FAITH BAPTIST CHURCH OF WATERFORD  
(A MICHIGAN NON-PROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Fair Value Measurements**

FASB ASC Topic 820, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs do not have observable inputs and have the lowest priority. The carrying value of cash and cash equivalents in the accompanying statement of financial position approximates fair value as of December 31, 2020 and 2019

**Events Occurring After Reporting Date**

The Church has evaluated events and transactions for potential recognition or disclosure through June 24, 2021, the date the financial statements were available to be issued.

**NOTE 2 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Land, building and improvements	\$ 15,134,175	\$ 15,065,500
Equipment and vehicles	478,889	451,746
Sub-total	15,613,064	15,517,246
Accumulated depreciation	5,570,663	5,203,398
Total property and equipment	<u>\$ 10,042,401</u>	<u>\$ 10,313,848</u>

**FAITH BAPTIST CHURCH OF WATERFORD  
(A MICHIGAN NON-PROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 2 – PROPERTY AND EQUIPMENT - Continued**

Depreciation of property and equipment is provided under the straight-line method over the following estimated useful lives:

Building and improvements	10 - 45 years
Furniture and equipment	5 - 7 years

Gains or losses from the sale of property and equipment are recorded in the statement of activities. Expenditures for major betterments and additions are charged to the property accounts, while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. Contributions of property and equipment are recorded as contribution revenue (valued at fair value) in the year received.

Depreciation expense for the years ended December 31, 2020 and 2019 amounted to \$367,265 and \$341,809, respectively.

**NOTE 3 – LAND CONTRACT RECEIVABLE**

In August of 2019, the property located on Gale Road in Atlas, Michigan was sold on land contract for \$150,000. There was a down payment of \$15,000 at the execution of the contract and monthly payments of \$1,845 including 4% interest continue through July of 2026. At December 31, 2020 and 2019 the balance of the contract was \$111,202 and \$126,440, respectively.

**FAITH BAPTIST CHURCH OF WATERFORD  
(A MICHIGAN NON-PROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 4 – LONG-TERM DEBT**

Mortgage and notes payable are summarized as follows at:

	December 31,	
	<u>2020</u>	<u>2019</u>
Note payable, Foundation Capital Resources, due in monthly installments of \$38,303, including interest at 6.5% per annum. The note is collateralized by substantially all of the assets of the Church and matures in September 2040.	\$ 6,043,206	\$ -
Note payable for the Payroll Protection Program received through the Small Business Administration to support payroll and other qualified expenses including interest at 1 % per annum. The note is expected to be forgiven during fiscal year 2021.	375,242	-
Related Party note payable to Tom Cusik, due in monthly installments of \$2,000, non-interest bearing and unsecured. The note was fully paid in February 2021.	4,000	-
Mortgage payable, Foundation Capital Resources, due in monthly installments of \$31,346, including interest at 6.25% per annum. The mortgage was collateralized by substantially all of the assets of the Church and was fully repaid during 2020.	-	4,585,164
Note payable, Foundation Capital Resources, with interest only payments due through April 2016 at 6.44% per annum, then monthly installments of \$4,775, including interest at 5.99% per annum. The note was collateralized by substantially all of the assets of the Church and was fully repaid during 2020.	-	589,974
Mortgage payable, Thumb National Bank, due in monthly installments of \$9,790, including interest at 6.5% per annum. The mortgage was collateralized by substantially all of the assets of the church and was fully repaid during 2020.	-	701,814
Mortgage payable, Thumb National Bank, due in monthly installments of \$2,262 including interest at 6.5% per annum. The mortgage was collateralized by substantially all of the assets of the church and was fully repaid during 2020.	-	130,341
Total long-term debt	\$ 6,422,448	\$ 6,007,293
Less current portion	444,101	207,334
Long-term debt, net	<u>\$ 5,978,347</u>	<u>\$ 5,799,959</u>

**FAITH BAPTIST CHURCH OF WATERFORD  
(A MICHIGAN NON-PROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 4 – LONG-TERM DEBT - Continued**

Maturities of long-term liabilities for the years ending December 31 are as follows:

2021	\$	444,101
2022		73,470
2023		78,391
2024		83,641
2025		89,243
Thereafter		<u>5,653,602</u>
	<u>\$</u>	<u>6,422,448</u>

**NOTE 5 – RETIREMENT PLANS**

The Church sponsors a contributory defined contribution pension plan for all employees. Employees are eligible upon employment and are immediately vested in all employee and employer contributions. The Church matches employee's contribution up to a maximum of 3% of the employee's compensation. Contributions for the years ended December 31, 2020 and 2019 totaled \$24,635 and \$20,159 respectively.

**NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Church's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use within one year:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 664,508	\$ 94,636
Accounts receivable	<u>6,097</u>	<u>5,864</u>
Net assets	670,605	100,500
Less -		
Net assets with donor restrictions	<u>20,475</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 650,130</u>	<u>\$ 100,500</u>

**FAITH BAPTIST CHURCH OF WATERFORD  
(A MICHIGAN NON-PROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 7 – OTHER MATTERS**

Global efforts to contain the spread of COVID-19, often referred to as the Coronavirus, have significantly impacted many businesses and the economy. While the situation is evolving rapidly, and the full impact is not yet known, the disruption caused by the Coronavirus is affecting business and consumer activities worldwide includes the disruption to major financial markets, supply chains, interruption of production, limited personnel, facility and store closures, and decreased demand from both business customers and consumers. As of[DATE], the Church is assessing the impact on its operation and cash flows but currently the disruption and uncertainty caused by the Coronavirus is far-reaching and the ultimate effects of this event is unknown.

The Church is in receipt of a Payroll Protection Program (“PPP”) loan in the amount of \$375,242 that is expected to be fully forgiven by the Small Business Administration, however as of the date of these financial statements is currently displayed as a liability.