Audited Financial Statements

FAITH BAPTIST CHURCH OF WATERFORD

(A Michigan Non-Profit Organization)

December 31, 2021 and 2020

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Croskey Lanni

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Faith Baptist Church of Waterford

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements. 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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Faith Baptist Church of Waterford and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Faith Baptist Church of Waterford's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Faith Baptist Church of Waterford 's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Faith Baptist Church of Waterford 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Croskey Lanni, PC

July 22, 2022
Rochester, Michigan

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

STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31, 2021	December 31, 2020
Current Assets		
Cash and cash equivalents	$ 1,986,003	$ 664,508
Accounts receivable	7,831	6,097
Prepaid expenses	32,738	25,261
Total current assets	2,026,572	695,866
Land Contract Receivable	93,931	111,202
Property and Equipment - Net of Accumulated Depreciation	13,350,970	10,042,401
Total assets	$ 15,471,473	$ 10,849,469

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	$ 443,259	$ 26,425
Accrued expenses	177,566	203,390
Current portion of long-term debt	73,471	444,101
Total current liabilities	694,296	673,916
Long-Term Liabilities		
Long-term debt, net	5,900,862	5,978,347
Loan costs, net of accumulated amortization	(109,035)	(112,827)
Total liabilities	6,486,123	6,539,436
Net Assets		
Without donor restrictions	8,985,350	4,289,558
With donor restrictions	-	20,475
Total net assets	8,985,350	4,310,033
Total liabilities and net assets	$ 15,471,473	$ 10,849,469

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	$ 5,401,161	$ -	$ 5,401,161
Interest income	4,281	-	4,281
Donated property	3,391,932	-	3,391,932
PPP loan forgiveness	375,242	-	375,242
Expense reimbursement and other income	51,535	-	51,535
Subtotal	9,224,151	-	9,224,151
Net assets released from restrictions	20,475	(20,475)	-
Total support and revenues	9,244,626	(20,475)	9,224,151
Functional Expenses			
Program	3,301,315	-	3,301,315
Administrative	1,247,519	-	1,247,519
Total functional expenses	4,548,834	-	4,548,834
Increase in Net Assets	4,695,792	(20,475)	4,675,317
Net Assets - Beginning of Year	4,289,558	20,475	4,310,033
Net Assets - End of Year	$ 8,985,350	$ -	$ 8,985,350

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

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

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, 2021

	Program	Administrative	Total
Salary and wages	$ 1,784,413	$ 198,268	$ 1,982,681
Employee benefits	246,857	27,429	274,286
Payroll taxes	77,533	8,615	86,148
Amortization	-	3,792	3,792
Depreciation	340,520	85,130	425,650
Office expense	135,610	33,902	169,512
Insurance	77,574	19,393	96,967
Professsional fees	-	33,146	33,146
Utilities	178,462	44,616	223,078
Events	354,050	-	354,050
Repair and maintenance	-	334,441	334,441
Taxes and license fees	-	1,374	1,374
Bank charges	-	3,880	3,880
Interest expense	-	390,767	390,767
Auto expense	-	19,728	19,728
Travel expense	2,858	-	2,858
Meals and entertainment	9,010	2,252	11,262
Mission support	78,321	-	78,321
Workshop	448	-	448
Lease	-	36,871	36,871
Miscellaneous/general	15,659	3,915	19,574
Total expenses	$ 3,301,315	$ 1,247,519	$ 4,548,834

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

	Program	Administrative	Total
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
Professsional 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
Total expenses	$ 2,727,231	$ 1,226,677	$ 3,953,908

See accompanying notes to financial statements

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

STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2021	2020
Cash Flows From Operating Activities		
Change in net assets		
Increase in net assets	$ 4,675,317	$ 62,372
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	429,442	368,213
In-kind donation of fixed assets	(3,391,932)	-
Decrease (increase) in operating assets		
Accounts receivable	(1,734)	(233)
Prepaid expenses	(7,477)	(1,934)
Increase (decrease) in operating liabilities		
Accounts payable	416,833	(69,492)
Accrued expenses	(25,824)	(9,854)
Net Cash Flows Provided by Operating Activities	2,094,625	349,072
Cash Flows From Investing Activities		
Principal payments received on land contract receivable	17,271	15,239
Purchases of property and equipment	(342,286)	(95,819)
Net Cash Flows Used in Investing Activities	(325,015)	(80,580)
Cash Flows From Financing Activities		
Loan costs paid from proceeds	-	(113,775)
PPP loan forgiveness	(375,242)	-
Repayment of long-term debt	(72,873)	(6,020,087)
Proceeeds from long-term debt	-	6,435,242
Net Cash Flows Provided by (Used in) Financing Activities	(448,115)	301,380
Net Increase in Cash and Cash Equivalents	1,321,495	569,872
Cash and Cash Equivalents - Beginning	664,508	94,636
Cash and Cash Equivalents - Ending	$ 1,986,003	$ 664,508
Supplemental Disclosure:		
Interest paid during the current year	$ 390,542	$ 463,260

See accompanying notes to financial statements

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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.

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.

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, 2021 and 2020.

Events Occurring After Reporting Date

The Church has evaluated events and transactions for potential recognition or disclosure through July 22, 2022, the date the financial statements were available to be issued.

Contingency - Coronavirus

Global efforts to contain the spread of COVID-19, often referred to as the Coronavirus, have significantly impacted many businesses and the economy. The disruption caused by the Coronavirus is affecting business and consumer activities worldwide. The Church's management team is assessing the impact on its operations and cash flows, but the effect of the disruption and uncertainty caused by the Coronavirus remains unknown.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2021	December 31, 2020
Land, building and improvements	$ 17,899,786	$ 15,134,175
Equipment and vehicles	660,996	478,889
Construction in process (not depreciated)	786,500	-
Sub-total	19,347,282	15,613,064
Accumulated depreciation	5,996,312	5,570,663
Total property and equipment	$ 13,350,970	$ 10,042,401

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 - 40 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, 2021 and 2020 amounted to $425,650 and $367,265, 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, 2021 and 2020 the balance of the contract was $93,931 and $111,202 respectively.

NOTE 4 – LONG-TERM DEBT

Mortgage and notes payable are summarized as follows at:

	December 31, 2021	December 31, 2020
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.	$ 5,974,333	$ 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 was fully paid in February 2021.	-	4,000
Total long-term debt	5,974,333	6,422,448
Less current portion	73,471	444,101
Long-term debt, net	$ 5,900,862	$ 5,978,347

NOTE 4 – LONG-TERM DEBT - Continued

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

2022	$ 73,471
2023	78,392
2024	83,642
2025	89,244
2026	95,221
Thereafter	5,554,363
	$ 5,974,333

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, 2021 and 2020 totaled $33,385 and none, respectively.

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Church's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general use within one year:

	2021	2020
Cash and cash equivalents	$ 1,986,003	$ 664,508
Accounts receivable	7,831	6,097
Net assets	1,993,834	670,605
Less -		
Net assets with donor restrictions	-	20,475
Financial assets available to meet cash needs for general expenditures within one year	$ 1,993,834	$ 650,130