

**The South Florida  
Church of Christ, Inc.**

Financial Statements  
For the Year Ended December 31, 2016

# The South Florida Church of Christ, Inc.

Financial Statements  
For the Year Ended December 31, 2016

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The South Florida Church of Christ, Inc.  
Davie, Florida

We have audited the accompanying financial statements of The South Florida Church of Christ, Inc. (a nonprofit organization) (the "Church"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The South Florida Church of Christ, Inc.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The South Florida Church of Christ, Inc. as of December 31, 2016, 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
May 22, 2017

**The South Florida Church of Christ, Inc.**  
**Statement of Financial Position**  
**December 31, 2016**

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**Assets:**

Cash	\$	1,072,719
Accounts receivable, less allowance for doubtful accounts of \$ 1,877		10,246
Prepaid expenses and other assets		58,307
Deposits		37,420
Property and equipment, less accumulated depreciation of \$ 1,638,009		<u>4,851,716</u>
Total assets	\$	<u><u>6,030,408</u></u>

**Liabilities:**

Accounts payable	\$	21,959
Accrued interest payable		11,437
Line of credit payable		1,915
Other accrued expenses		14,377
Deferred revenue		6,412
Obligation of swap agreement		119,975
Debt		<u>2,604,709</u>
Total liabilities		<u>2,780,784</u>

**Net Assets:**

Unrestricted:		
Undesignated		3,105,913
Temporarily restricted		<u>143,711</u>
Total net assets		<u>3,249,624</u>
Total liabilities and net assets	\$	<u><u>6,030,408</u></u>

The accompanying notes to financial statements are an integral part of these statements.

**The South Florida Church of Christ, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenues:</b>			
Contributions	\$ 2,510,762	\$ 436,148	\$ 2,946,910
School tuition	399,724	-	399,724
Special events	106,779	-	106,779
Other school fees	26,985	-	26,985
Interest income	913	-	913
	<u>3,045,163</u>	<u>436,148</u>	<u>3,481,311</u>
<b>Total support and revenues</b>			
	<u>440,710</u>	<u>(440,710)</u>	<u>-</u>
<b>Net assets released from restrictions</b>			
	<u>3,485,873</u>	<u>(4,562)</u>	<u>3,481,311</u>
<b>Total support, revenues, and net assets released from restrictions</b>			
<b>Expenses:</b>			
Program service expenses:			
Compensation and fringe benefits	1,375,715	-	1,375,715
Mission support	440,710	-	440,710
Rent	188,919	-	188,919
Provision for depreciation	151,329	-	151,329
Interest expense	141,722	-	141,722
Professional business expense	114,091	-	114,091
Special events	102,790	-	102,790
Repairs and maintenance	67,182	-	67,182
Travel, seminars and training	53,377	-	53,377
Supplies, subscriptions and gifts	44,395	-	44,395
Telephone and utilities	39,469	-	39,469
Payroll taxes	34,659	-	34,659
Youth ministry	25,657	-	25,657
Insurance	24,639	-	24,639
Equipment and other supplies	22,958	-	22,958
Outside ministry support	18,478	-	18,478
Other school fees	18,189	-	18,189
Meals and entertainment	13,619	-	13,619
Charity and benevolence	13,053	-	13,053
Professional fees	8,345	-	8,345
Software and licensing	7,558	-	7,558
Office expense	7,061	-	7,061
Postage and printing	6,932	-	6,932
Fundraising and advertising	5,949	-	5,949
Equipment rental	5,218	-	5,218
	<u>2,932,014</u>	<u>-</u>	<u>2,932,014</u>
<b>Total program service expenses</b>			

The accompanying notes to financial statements are an integral part of these statements.

**The South Florida Church of Christ, Inc.**  
**Statement of Activities**  
**(continued)**  
**For the Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Expenses (continued):</b>			
Administrative and general expenses:			
Compensation and fringe benefits	216,349	-	216,349
Payroll taxes	16,975	-	16,975
Professional fees	14,674	-	14,674
Software and licensing	5,718	-	5,718
Office expense	5,230	-	5,230
Travel, seminars and training	4,672	-	4,672
Telephone and utilities	4,200	-	4,200
Supplies, subscriptions and gifts	3,104	-	3,104
Equipment rental	2,292	-	2,292
Postage and printing	1,198	-	1,198
Meals and entertainment	885	-	885
Equipment and other supplies	600	-	600
	<u>275,897</u>	<u>-</u>	<u>275,897</u>
Total administrative and general expenses			
	<u>3,207,911</u>	<u>-</u>	<u>3,207,911</u>
Total expenses			
Excess (deficiency) of support and revenues over expenses	<u>277,962</u>	<u>(4,562)</u>	<u>273,400</u>
Other revenues (expenses):			
Net change in fair value of interest rate swap	<u>47,286</u>	<u>-</u>	<u>47,286</u>
Change in net assets	325,248	(4,562)	320,686
<b>Net Assets, January 1, 2016</b>	<u>2,780,665</u>	<u>148,273</u>	<u>2,928,938</u>
<b>Net Assets, December 31, 2016</b>	<u>\$ 3,105,913</u>	<u>\$ 143,711</u>	<u>\$ 3,249,624</u>

The accompanying notes to financial statements are an integral part of these statements.

**The South Florida Church of Christ, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2016**

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**Cash Flows from Operating Activities:**

Change in net assets	\$ 320,686
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Provision for depreciation	151,329
Change in fair value of interest rate swap	(47,286)
(Increase) decrease in assets:	
Accounts receivable, net	(1,893)
Prepaid expenses and other assets	(17,380)
Deposits	(29,420)
Increase (decrease) in liabilities:	
Accounts payable	9,169
Accrued interest payable	(1,519)
Other accrued expenses	1,270
Deferred revenue	(1,548)
	<u>383,408</u>
Net cash provided by (used in) operating activities	<u>383,408</u>

**Cash Flows from Investing Activities:**

Payments for purchases of property and equipment	(70,635)
Sale of investments	200,000
	<u>129,365</u>
Net cash provided by (used in) investing activities	<u>129,365</u>

**Cash Flows from Financing Activities:**

Proceeds from line of credit	160,743
Payments on line of credit	(162,776)
Principal payments on debt	(215,771)
	<u>(217,804)</u>
Net cash provided by (used in) financing activities	<u>(217,804)</u>

Net increase (decrease) in cash 294,969

**Cash, January 1, 2016** 777,750

**Cash, December 31, 2016** \$ 1,072,719

The accompanying notes to financial statements are an integral part of these statements.

## Note 1 - Organization and Operations

The South Florida Church of Christ, Inc. (the "Church") is a Florida not-for-profit exempt organization dedicated to charitable, religious and educational purposes, including missionary activities, worship services and counseling. The Church also operates a weekday school with educational goals consistent with the purposes of the Church.

## Note 2 - Summary of Significant Accounting Policies

**Basis of presentation:** Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under ASC 958, the Church is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Restricted and unrestricted revenue and support:** Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently 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), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Temporarily restricted assets consist of cash amounting to \$ 143,711, which is to be used primarily for mission support and debt reduction. The Church had no permanently restricted net assets as of December 31, 2016.

**Cash and cash equivalents:** The Church considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Church maintains deposits at various financial institutions which at times may exceed federally insured amounts. Deposit accounts are maintained with what management believes to be quality financial institutions.

**Accounts receivable and allowance for doubtful accounts:** The Church uses the reserve method to account for uncollectible accounts receivable. Accounts receivable are presented net of an allowance for doubtful accounts. The Church management believes a reserve of \$ 1,877 is necessary as of December 31, 2016 and all remaining receivables are fully collectible.

**Promises to give:** Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Church had no unconditional or conditional promises to give as of December 31, 2016.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Property and equipment:** Acquisitions greater than \$ 1,000 with a useful life longer than one (1) year are capitalized. Purchased property and equipment are recorded at cost and donated property and equipment are valued at estimated fair value at the time of donation. The Church's policy is to provide for depreciation using the straight-line method over the following estimated useful lives of the assets:

Building and improvements	10-30 years
Site improvement	7-20 years
Equipment	3-5 years
Furniture and fixtures	7 years

Donated property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations regarding how long those donated assets must be maintained, the Church reports expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time.

Maintenance and repairs to property and equipment are charged to expense when incurred. Additions and major renewals are capitalized. When assets are retired or otherwise disposed of, the cost or donated value and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the accompanying statement of activities.

**Deferred revenues:** The Church recognized revenues as earned. Amounts received in advance of the period in which service is rendered are recorded as deferred revenue in the statement of financial position.

**Donated goods and services:** The Church pays for most services requiring specific expertise. However, a number of volunteers have donated significant amounts of their time in the Church's program services. Because of the difficulty in determining the number of hours for such services, those items are not disclosed in the accompanying statement of activities. However, when the value of donated services requires specific expertise, they are reflected in the accompanying statement of activities as a revenue and as an expense depending on the nature of the services received. Donated property and equipment is reflected as support in the accompanying statement of activities at its estimated fair value at the time of receipt.

**Use of estimates:** The presentation of financial statements in conformity with generally accepted accounting principles requires the Church's 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.

**Date of management's review:** Subsequent events have been evaluated by management through May 22, 2017 which is the date the financial statements were available to be issued.

**The South Florida Church of Christ, Inc.**  
**Notes to Financial Statements**  
**December 31, 2016**

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**Note 3 - Property and Equipment**

Property and equipment consists of the following at December 31, 2016:

Building and improvements	\$	2,607,980
Site improvements		304,454
Equipment		73,911
Furniture and fixtures		<u>9,300</u>
		2,995,645
Less accumulated depreciation		<u>1,638,009</u>
		1,357,636
Land		<u>3,494,080</u>
	\$	<u><u>4,851,716</u></u>

**Note 4 - Income Taxes**

The Church is a nonprofit organization, exempt from Federal income tax under Internal Revenue Code 501(c)(3), with the exception of any unrelated business income; therefore, no provision for income taxes is reflected in the accompanying financial statements.

**Note 5 - Line of Credit**

The Church has a corporate credit card with a credit limit of \$ 50,000 charging interest at an annual rate of 8.49%, which can be used for general operating needs. At December 31, 2016, the credit card had a balance outstanding of \$ 1,915. This balance comprises the line of credit payable in the accompanying statement of financial position.

**Note 6 - Debt**

At December 31, 2016, the Church's debt is summarized as follows:

Three mortgage notes payable to a bank, two of which bear interest at a variable interest rate based on the USD-LIBOR-BBA rate plus 225 basis points (2.87% at December 31, 2016). The remaining note bears interest at the five year interest rate swap index plus 225 basis points (3.57% at December 31, 2016). The notes are due in monthly principal and interest installments with principal amounts aggregating approximately \$ 18,200 at December 31, 2016 and at increasing amounts through April 2021, at which time the remaining principal and interest is due. The notes are collateralized by real property with a net book value of approximately \$ 4,819,000, an assignment of rents, and a security interest in all assets now owned and subsequently acquired by the Church.

\$ 2,604,709

**The South Florida Church of Christ, Inc.**  
**Notes to Financial Statements**  
**December 31, 2016**

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**Note 6 - Debt (continued)**

In conjunction with one of the mortgage notes discussed, the Church entered into an interest rate swap agreement with a bank that expires in April 2021. This agreement effectively converts the variable rate debt to fixed rate debt to the extent of the notional amount. For the notional principal amount of \$ 1,799,079, the fixed rate being paid to the bank is 5.86% while the payment received from the bank is 2.87% (USD-LIBOR-BBA rate plus 225 basis points). The fair value of the swap is based on a quote obtained from the primary financial lender, which was quoted at \$ (119,975) as of December 31, 2016. This negative value would have been incurred had the Church elected to terminate this transaction at December 31, 2016. However, it is management's intention to carry this transaction through maturity.

The estimated aggregate future principal payments required on debt are approximately as follows:

Year ending <u>December 31,</u>	
2017	\$ 227,700
2018	236,600
2019	246,000
2020	256,100
2021	<u>1,638,300</u>
Total	<u>\$ 2,604,700</u>

**Note 7 - Lease Commitments**

The Church leased property under the terms of a noncancelable operating lease, payable in monthly installments of \$ 5,000 through December 2016. The operating lease agreement was renewed through December 2018 and is now payable in monthly installments of \$ 5,125 for 2017 and \$ 5,250 for 2018. The Church also leases office equipment at an aggregate base amount of approximately \$ 360 per month, expiring in June 2019. The Church also leases office and warehouse space under the terms of a noncancelable operating lease, payable in monthly installments of \$ 1,000 through August 2017, with an option to renew for an additional two years.

The estimated aggregate future base payments required on the above leases are approximately as follows:

Year ending <u>December 31,</u>	
2017	\$ 73,800
2018	\$ 67,300
2019	\$ 2,100
2020	\$ NONE

**Note 8 - Employee Benefit Plan**

The Church offers full-time ministry and administration employees a tax sheltered benefit plan (the "Plan") under Internal Revenue Code Section 403(b). The employees are allowed to contribute up to a maximum of 20% of their annual gross compensation, subject to certain limitations. The Church makes matching contributions to the Plan for 50% of eligible participant elected deferrals which are not to exceed 3% of each participant's amount of compensation. There is no vesting period for matching contributions.

The Church also makes automatic contributions on behalf of each eligible employee beginning on the 1<sup>st</sup> of the month 30 days after the date of hire, or when the employee's 403(b) account is opened, if after the 30 day period. The automatic contribution is a percentage of gross wages, which is contributed for eligible employees based on years of service with the Church. There is no vesting period required for these funds. During the first 5 years of service the automatic contribution is 2% of employee's gross wages. Each 5 year period thereafter the automatic contribution increases by 0.5% and the maximum contribution is 3.5% after 15 years of service and beyond. The Church made contributions on behalf of its employees totaling approximately \$ 50,000 for the year ended December 31, 2016.

**Note 9 - Supplemental Cash Flow Information**

Supplemental disclosure of cash flow information is as follows:

Cash received during the year for interest	\$	913
Cash paid during the year for interest	\$	143,241