

WORD TABERNACLE CHURCH

FINANCIAL STATEMENTS

**For The Year Ended
December 31, 2020**

Word Tabernacle Church

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December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Senior Pastor and Board of Directors
Word Tabernacle Church
821 Word Plaza
Rocky Mount, NC 27804

We have audited the accompanying financial statements of Word Tabernacle Church (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses 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 the 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 Word Tabernacle Church as of December 31, 2020, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Flowers & Stanley, LLP

Flowers & Stanley, L.L.P.
Tarboro, North Carolina
August 12, 2021

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Word Tabernacle Church
Rocky Mount, North Carolina
Statement of Financial Position
December 31, 2020

Exhibit 1

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current Assets:			
Cash:			
Checking Accounts	\$ 523,470	\$ 37,434	\$ 560,904
Savings Accounts	370,956	-	370,956
Grants Receivable	109,595	-	109,595
Sales Tax Receivable & Other	46,154	-	46,154
Notes Receivable-Related Party (current portion)	50,424	-	50,424
Total Current Assets	\$ 1,100,599	\$ 37,434	\$ 1,138,033
Noncurrent Assets:			
Notes Receivable - Related Party	\$ 157,062	\$ -	\$ 157,062
Property and Equipment:			
Land	1,264,505	-	1,264,505
Buildings & Improvements	7,500,597	-	7,500,597
Furniture & Equipment	979,800	-	979,800
Vehicles	105,850	-	105,850
Total Property and Equipment	\$ 9,850,752	\$ -	\$ 9,850,752
Less accumulated depreciation	1,485,830	-	1,485,830
Net Property and Equipment	\$ 8,364,922	\$ -	\$ 8,364,922
Total Noncurrent Assets	\$ 8,521,984	\$ -	\$ 8,521,984
Total Assets	\$ 9,622,583	\$ 37,434	\$ 9,660,017
Liabilities and Net Assets			
Current Liabilities:			
Accounts payable	\$ 37,655	\$ -	\$ 37,655
Accrued salaries and related expenses	109,388	-	109,388
Current maturities of long-term debt	35,247	-	35,247
PPP Loan	190,700	-	190,700
Total Current Liabilities	\$ 372,990	\$ -	\$ 372,990
Long-Term Liabilities:			
Notes payable - net of current portion	3,497,789	-	\$ 3,497,789
Total Liabilities	\$ 3,870,779	\$ -	\$ 3,870,779
Net Assets:			
Without Donor Restrictions	\$ 5,751,804	\$ -	\$ 5,751,804
With Donor Restrictions	-	37,434	37,434
Total Net Assets	\$ 5,751,804	\$ 37,434	\$ 5,789,238
Total Liabilities and Net Assets	\$ 9,622,583	\$ 37,434	\$ 9,660,017

See accompanying notes and accountant's report.

Word Tabernacle Church
Rocky Mount, North Carolina
Statement of Activities
Year Ended December 31, 2020

Exhibit 2

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Other Support:			
Tithes and offerings	\$ 2,844,448	\$ -	\$ 2,844,448
Ministry income and missions	151,240	-	151,240
Pastoral support and appreciation	95,478	-	95,478
Thrive	-	188,262	188,262
Grant Income	-	198,372	198,372
Other Income	7,127	-	7,127
Interest income	5,653	-	5,653
Total	<u>\$ 3,103,946</u>	<u>\$ 386,634</u>	<u>\$ 3,490,580</u>
Net Assets released from restrictions	370,237	(370,237)	-
Total Revenues and Other Support	<u>\$ 3,474,183</u>	<u>\$ 16,397</u>	<u>\$ 3,490,580</u>
Expenses:			
Word Tabernacle Church	\$ 672,676	\$ -	\$ 672,676
Business Operations	823,694	-	823,694
College Childhood & Career Success	282,847	-	282,847
Faith & Family	215,931	-	215,931
Community & Collaborartion	183,071	-	183,071
Performing Arts & Worship	140,008	-	140,008
Culinary Arts	9,369	-	9,369
Health & Wellness	29,254	-	29,254
Media & Broadcast	74,826	-	74,826
Leadership Development & Capacity Bldg	344,203	-	344,203
Total Expenses	<u>\$ 2,775,879</u>	<u>\$ -</u>	<u>\$ 2,775,879</u>
Change in Net Assets	698,304	16,397	714,701
Net Assets,			
Beginning of year	5,053,500	21,037	5,074,537
End of year	<u>\$ 5,751,804</u>	<u>\$ 37,434</u>	<u>\$ 5,789,238</u>

See accompanying notes and accountant's report.

**Word Tabernacle Church
Rocky Mount, North Carolina
Statement of Functional Expense
For the Year Ended December 31, 2019**

Exhibit 3

	WTC	Business Operations	C3 - Success	Faith & Family	Community & Collaboration
Salaries & related expenses	\$ 83,308	\$ 440,779	\$ 224,073	\$ 110,984	\$ 128,671
Office & occupancy	53,887	236,760	12,041	7,883	750
Contract & professional services	22,563	142,334	3,056	33,340	4,700
Ministry & outreach	52,961	3,201	38,723	58,955	48,950
Training & education	-	617	3,044	4,507	-
Travel & lodging	-	3	1,910	262	-
Mortgage interest	147,790	-	-	-	-
Depreciation	312,167	-	-	-	-
Total Expenses	\$ 672,676	\$ 823,694	\$ 282,847	\$ 215,931	\$ 183,071

See accompanying notes and accountant's report.

**Word Tabernacle Church
Rocky Mount, North Carolina
Statement of Functional Expense
For the Year Ended December 31, 2019**

Exhibit 3

<u>Worship</u>	<u>Culinary Arts</u>	<u>Health & Wellness</u>	<u>Media & Broadcasting</u>	<u>Leadership Dev. & Capacity Building</u>	<u>Total</u>
\$ 121,748	\$ -	\$ 17,971	\$ 45,578	\$ 304,177	\$ 1,477,289
2,422	3,129	591	1,847	211	319,521
-	321	-	2,434	5,868	214,616
12,777	5,919	10,692	24,967	4,392	261,537
959	-	-	-	28,836	37,963
2,102	-	-	-	719	4,996
-	-	-	-	-	147,790
-	-	-	-	-	312,167
<u>\$ 140,008</u>	<u>\$ 9,369</u>	<u>\$ 29,254</u>	<u>\$ 74,826</u>	<u>\$ 344,203</u>	<u>\$ 2,775,879</u>

See accompanying notes and accountant's report.

**Word Tabernacle Church
Rocky Mount, North Carolina
Statement of Cash Flows
Indirect Method
Year Ended December 31, 2020**

Exhibit 4

Cash Flows From Operating Activities:

Change in net assets	\$ 714,701
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation writeoff	312,167
(Increase) Decrease in:	
Receivables and advances	(129,408)
Increase (Decrease) in:	
Accounts payable and accrued expenses	(39,521)
Accrued salaries and related expenses	21,195
Net Cash Provided by Operating Activities	\$ 879,134

Cash Flows From Investing Activities:

Purchase of capital assets and improvements	\$ (768,562)
Proceeds from sale of Fixed Assets	-
Net Cash Provided (Used) by Investing Activities	\$ (768,562)

Cash Flows From Financing Activities:

Principal payments on long-term debt	\$ (111,200)
Principal collected on related party debt	49,489
PPP loan proceeds	190,700
Net Cash Provided (Used) by Financing Activities	\$ 128,989

Net Increase (Decrease) in Cash	239,561
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Cash:

Beginning of year	692,299
End of year	\$ 931,860

Supplemental Disclosures of Cash Flow Information:

Cash payment for interest during fiscal year	\$ 147,790
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See accompanying notes and accountant's report.

**Word Tabernacle Church
Rocky Mount, North Carolina
Notes to the Financial Statement
For the Year Ended December 31, 2020**

Note 1 – Summary of Significant Accounting Policies

Nature of Operations

Word Tabernacle Church is a non-profit organization, incorporated as a religious corporation whose purpose is “to invest in people, improve the community, influence the region and impact the world spiritually, morally, socially, culturally and economically.” The Church was incorporated pursuant to §55A-2-02 of the General Statutes of North Carolina.

As a cooperating Church of the Baptist State Convention of North Carolina, Word Tabernacle qualified for tax-exempt status on September 7, 2006, and as an independent tax-exempt organization on September 11, 2015, and therefore is exempt from federal income taxes. As such, no provision for income taxes is included in these financial statements.

Contributions

Public support consists primarily of congregation tithes and offerings and capital project donations from private foundations and personal contributions. Contributions in the form of tithes and offerings are considered to be unrestricted unless restricted by the donor.

Project Thrive contributions totaled \$188,262 during the year. These donations are restricted for capital improvements. When donor restrictions are met, restricted net assets are released to unrestricted net assets and reported as net assets released from restrictions. At December 31, 2020, all restrictions for Project Thrive capital improvements were met and funds were released to unrestricted.

Basis of Accounting

The Church’s policy is to prepare financial statements on the accrual basis of accounting whereby revenue is recognized when earned and realizable.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Church is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions, as applicable. Without donor restrictions net assets are net assets that are not restricted by donor-imposed stipulations.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Church considers all cash to be cash equivalents.

Word Tabernacle Church
Rocky Mount, North Carolina
Notes to the Financial Statement
For the Year Ended December 31, 2020

Financial Risk

The Church maintains cash in bank deposit accounts which exceed federally insured limits. Deposits exceed FDIC insurance coverage by \$455,756 at December 31, 2020. The Church has not experienced losses in such accounts and believes it is not exposed to any significant credit risk.

Pledges and Promises to Give

It is the Church's policy that all outstanding pledges and promises to give expire at year end. These pledges do not roll over to the next calendar year.

Accounts Receivable

Accounts Receivable at year end includes sales tax receivable both applied for and accrued subsequent to year-end.

Note 2 - Property and Equipment/Depreciation

Property and equipment are recorded at cost if purchased and fair value if contributed. Property and equipment are capitalized if they are in excess of \$5,000, otherwise, they are expensed. These costs are accumulated and capitalized quarterly. Assets are depreciated under the straight-line method over their estimated economic useful lives as follows:

Buildings	40 years
Furniture and Equipment	7 years
Vehicles	7 years

Depreciation expense for the year totaled \$312,167.

**Word Tabernacle Church
Rocky Mount, North Carolina
Notes to the Financial Statement
For the Year Ended December 31, 2020**

Note 3 – Liabilities

Subsequent to December 31, 2020 on April 28, 2021 the Church refinanced and consolidated all long-term debt. This included the balloon payment originally due in 2021.

The new loan agreement with Mechanics and Farmers Bank was for \$6,000,000 at 3.75%. The debt schedule is for interest only for twelve (12) months with principal and interest payments beginning on May 28, 2022 for 59 months at \$35,746 with a balloon payment of \$2,892,518 due on April 28, 2027.

The future scheduled maturity on the debt balance of \$3,533,036 at December 31, 2020 is payable as follows:

2021	\$ 35,247
2022	80,128
2023	124,005
2024	128,743
2025	133,648
Next 5 Years	<u>3,031,265</u>
 Total:	 <u>\$3,533,036</u>

Accrued Payroll

The Church disburses payroll on or near the 15th of each month. As of December 31, 2020, the payroll (and related expenses) for December was payable on January 15, 2021 in the amount of \$109,388.

As of December 31, 2020 the Church has no policy for carryover of any unused Paid Time Off (PTO). Any unused accrued vacation expires at year end.

Word Tabernacle Church
Rocky Mount, North Carolina
Notes to the Financial Statement
For the Year Ended December 31, 2020

Note 4 – Classes of Net Assets

In accordance with Statement of Financial Accounting Standard for Not-for-Profit Organizations, the Church reports information regarding its financial position and activities according to two classes of net assets:

Without Donor Restrictions – Net assets that are not restricted by contributors. This may include net assets whose use is limited by internally imposed restrictions.

With Donor Restrictions – Net assets whose use by the organization has been limited by donors to later periods of time, after specific dates, after fulfillment of specific requirements or for specific purposes. Upon fulfillment of all donor limitations, the restricted net assets are released from restriction. Donor restricted net assets at year end consists of unspent grant funds designated for specific needs on hand at year end in the amount of \$37,434.

Note 5 – Commitments

The Church had an unfinished construction contract at December 31, 2020. The contract balance at year end was \$86,800 remaining to be completed. There were no other material commitments at December 31, 2020.

Note 6 – Salaries, Benefits and Related Expenses

Expenses are reported on a functional basis according to the purposes for which they occur. Salaries and benefits for the year were \$1,477,289.

Employees of the Church may participate in an Internal Revenue Code Section 403(b) tax deferred retirement plan. The Church matches contributions up to 4%. Employer contributions for the year totaled \$24,076.

Note 7 – Functional Expense Classifications

Word Tabernacle Church (WTC) includes expenses not reported in any other division. The largest expenses included in this classification are depreciation and interest expense.

Statement of functional expense present the natural expenditure classification within functional expense divisions.

Word Tabernacle Church
Rocky Mount, North Carolina
Notes to the Financial Statement
For the Year Ended December 31, 2020

Note 8 – Related Party Transactions

In 2017 the Board approved the sale of real property on West Mount Drive in Rocky Mount, NC to Pastor Gailliard at the fair market value of \$400,000. The Board agreed to finance the sale for 8 years at \$50,000 per year plus interest at 1.89%. Balance due on the note receivable at December 31, 2020 was \$207,486.

Note 9 – Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America require management 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 revenue and expenses during the reported period. Actual results could differ from those estimates. Estimates that have the most impact on financial position and result of operations relate to the estimated useful life and depreciation write-off of capital assets. Management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Note 10 – Liquidity & Funds Available

The Church regularly monitors liquidity required to meet its operating needs and other financial commitments.

Financial assets for general expenditure available within one year from December 31, 2019 are as follows:

Cash & Cash Equivalents	\$ 931,860
Receivables	155,749
Notes Receivable-Current Portion	<u>50,424</u>
Total Financial Assets	1,138,033
Less amounts unavailable for general expenditures within one year:	
Donor Restricted Cash	<u>(37,434)</u>
Unrestricted Financial Assets	<u><u>1,100,599</u></u>

As part of the Church's liquidity management, it is policy to strengthen its financial assets to be available as its general expenditures, liabilities and other obligations come due. Excess cash is generally held in savings accounts until required for operations costs.

**Word Tabernacle Church
Rocky Mount, North Carolina
Notes to the Financial Statement
For the Year Ended December 31, 2020**

Note 11 – PPP Loan Receipts

Receipts from the SBA-backed PPP loan outstanding at December 31, 2020 were \$190,700. Requirements for loan forgiveness were satisfied and this loan was forgiven March 30, 2021. Income from forgiveness will be recognized in 2021.

Note 12 – Subsequent Events

The Church has evaluated subsequent events through the date the financial statements were available for issuance which is the date of the Auditor's report. The Church consolidated and refinanced all long-term debt on April 28, 2021. The new loan of \$6,000,000 also included funds for church capital improvements.

Flowers & Stanley, L.L.P.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Senior Pastor and Board of Directors
Word Tabernacle Church

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Word Tabernacle Church (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Word Tabernacle Church's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Word Tabernacle Church's internal control. Accordingly, we do not express an opinion on the effectiveness of Word Tabernacle Church's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Word Tabernacle Church's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit,

and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Flowers & Stanley, L.L.P.".

Flowers & Stanley, L.L.P.

Tarboro, North Carolina