

WORD TABERNACLE CHURCH

FINANCIAL STATEMENTS

**For The Year Ended
December 31, 2018**

Word Tabernacle Church

Table of Contents

December 31, 2018

<u>Report</u>	<u>Page</u>
Independent Auditor's Report	1
<u>Exhibit</u>	
<u>Financial Statements</u>	
1 Statement of Financial Position	3
2 Statement of Activities	4
3 Statement of Functional Expense	5
4 Statement of Cash Flows	7
Notes to the Financial Statements	8

Flowers & Stanley, L.L.P.

Certified Public Accountants

3403 North Main Street – P. O. Box 579 - Tarboro, North Carolina 27886

Phone: 252-823-3125 Fax: 252-823-3201

Charles R. Flowers Jr., CPA
Michael L. Stanley, CPA

Eric B. Harrell, CPA

Members
North Carolina Association of
Certified Public Accountants

American Institute of
Certified Public Accountants

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, 2018, and the related statements of activities, functional expense 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, 2018, 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
July 16, 2019

**Word Tabernacle Church
Rocky Mount, North Carolina
Statement of Financial Position
December 31, 2018**

Exhibit 1

	Total
Assets	
Current Assets:	
Cash:	
Checking Accounts	\$ 606,879
Savings Accounts	327,629
Sales Tax Receivable & Other	11,172
Notes Receivable-Related Party (current portion)	48,571
Total Current Assets	\$ 994,251
Noncurrent Assets:	
Cash with Donor Restrictions for Capital Improvements	\$ -
Notes Receivable - Related Party	256,974
Property and Equipment:	
Land	\$ 1,262,741
Buildings & Improvements	5,996,108
Furniture & Equipment	584,676
Vehicles	105,850
Total Property and Equipment	\$ 7,949,375
Less accumulated depreciation	913,078
Net Property and Equipment	\$ 7,036,297
Total Noncurrent Assets	\$ 7,293,271
Total Assets	\$ 8,287,522
Liabilities and Net Assets	
Current Liabilities:	
Accounts payable	\$ 64,158
Accrued salaries and related expenses	95,062
Compensated absences payable	9,197
Current maturities of long-term debt	151,065
Total Current Liabilities	\$ 319,482
Long-Term Liabilities:	
Notes payable - net of current portion	\$ 3,449,719
Total Liabilities	\$ 3,769,201
Net Assets:	
Without Donor Restrictions	\$ 4,518,321
With Donor Restrictions	-
Total Net Assets	\$ 4,518,321
Total Liabilities and Net Assets	\$ 8,287,522

See accompanying notes and accountant's report.

Word Tabernacle Church
Rocky Mount, North Carolina
Statement of Activities
Year Ended December 31, 2018

Exhibit 2

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Tithes and offerings	\$ 2,353,874	\$ -	\$ 2,353,874
Ministry income and missions	130,148	-	130,148
Pastoral support and appreciation	100,315	-	100,315
Project Thrive	-	132,821	132,821
Interest income	7,325	-	7,325
Total	\$ 2,591,662	\$ 132,821	\$ 2,724,483
Net Assets released from restrictions	282,452	(282,452)	-
Total Revenues and Other Support	\$ 2,874,114	\$ (149,631)	\$ 2,724,483
Expenses:			
Word Tabernacle	\$ 545,781	\$ -	\$ 545,781
Corporate expenses	296,281	-	296,281
Congregation expenses	178,812	-	178,812
Care expenses	131,776	-	131,776
Community expenses	219,803	-	219,803
Celebration expenses	163,104	-	163,104
Campus expenses	454,748	-	454,748
Counseling expenses	13,424	-	13,424
Communication expenses	66,583	-	66,583
Cultivation expenses	355,245	-	355,245
Total Expenses	\$ 2,425,557	\$ -	\$ 2,425,557
Change in Net Assets	448,557	(149,631)	298,926
Net Assets,			
Beginning of year	4,069,764	149,631	4,219,395
End of year	\$ 4,518,321	\$ -	\$ 4,518,321

See accompanying notes and accountant's report.

**Word Tabernacle Church
Rocky Mount, North Carolina
Statement of Functional Expense
For the Year Ended December 31, 2018**

Exhibit 3

	<u>WTC</u>	<u>Corporate</u>	<u>Congregation</u>	<u>Care</u>	<u>Community</u>
Salaries & related expenses	\$ 80,647	\$ 260,452	\$ 122,065	\$ 58,214	\$ 89,227
Office & occupancy	61,968	11,733	3,383	6,199	1,299
Contract & professional services	22,707	22,023	475	4,410	8,067
Ministry & outreach	1,054	599	30,751	45,027	120,378
Training & education	-	399	16,335	1,693	132
Travel & lodging	-	123	2,903	16,233	700
Other operating expenses	53	952	2,900	-	-
Mortgage interest	150,011	-	-	-	-
Depreciation	229,341	-	-	-	-
Total Expenses	<u>\$ 545,781</u>	<u>\$ 296,281</u>	<u>\$ 178,812</u>	<u>\$ 131,776</u>	<u>\$ 219,803</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, 2018**

Exhibit 3

<u>Celebration</u>	<u>Campus</u>	<u>Counseling</u>	<u>Communications</u>	<u>Cultivation</u>	<u>Total</u>
\$ 140,557	\$ 198,565	\$ -	\$ 20,302	\$ 329,194	\$ 1,299,223
229	183,499	654	9,722	288	278,974
3,073	54,852	1,700	-	901	118,208
16,416	16,374	7,921	32,887	9,947	281,354
1,710	1,458	2,533	-	3,936	28,196
1,119	-	616	-	2,949	24,643
-	-	-	3,672	8,030	15,607
-	-	-	-	-	150,011
-	-	-	-	-	229,341
<u>\$ 163,104</u>	<u>\$ 454,748</u>	<u>\$ 13,424</u>	<u>\$ 66,583</u>	<u>\$ 355,245</u>	<u>\$ 2,425,557</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, 2018**

Exhibit 4

Cash Flows From Operating Activities:

Change in net assets	\$ 298,926
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation writeoff	229,342
(Increase) Decrease in:	
Receivables and advances	2,028
Increase (Decrease) in:	
Accounts payable and accrued expenses	32,222
Accrued salaries and related expenses	(1,353)
Compensated absences payable	(3,292)
Net Cash Provided by Operating Activities	\$ 557,873

Cash Flows From Investing Activities:

Purchase of equipment and construction cost incurred	\$ (531,772)
Proceeds from sale of Fixed Assets	-
Net Cash Provided (Used) by Investing Activities	\$ (531,772)

Cash Flows From Financing Activities:

Principal payments on long-term debt	\$ (142,187)
Principal collected on related party debt	47,670
Loan Proceeds	-
Net Cash Provided (Used) by Financing Activities	\$ (94,517)

Net Increase (Decrease) in Cash	(68,416)
---------------------------------	----------

Cash:

Beginning of year	1,002,924
End of year	\$ 934,508

Supplemental Disclosures of Cash Flow Information:

Cash payment for interest during fiscal year	\$ 150,011
--	------------

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, 2018**

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 \$132,821 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, 2018, all restrictions for 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. There were no net assets with donor restrictions at December 31, 2018.

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, 2018**

Financial Risk

The Church maintains cash in bank deposit accounts which exceed federally insured limits. Deposits exceed FDIC insurance coverage by \$494,895 at December 31, 2018. The Church has not experienced losses in such accounts and believes it is not exposed to any significant credit risk or costs.

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 consists of sales tax receivable both applied and accrued for 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 \$229,342.

**Word Tabernacle Church
Rocky Mount, North Carolina
Notes to the Financial Statement
For the Year Ended December 31, 2018**

Note 3 – Liabilities

The Church's long term debt consists of the following loan agreements with Mechanics & Farmers Bank, Raleigh, N.C.:

West Mount Property – A 4% loan due payable in monthly installments of \$5,214 (including interest) through August 2034. This Note is secured by 59 acres and two buildings on West Mount Drive \$727,500

Word Plaza Property – On June 24, 2016 the Church termed out a Construction loan at 4% with payments of \$19,133 including interest beginning on July 28, 2016 and a single balloon payment of the entire balance due June 28, 2021. This note is secured by an assignment of \$2,000,000 Keyman Life Insurance Policy on the Senior Pastor and all real property including furniture, fixtures and equipment within 2,873,284

Total: \$3,600,784

Less current portion 151,065

\$3,449,719

Future scheduled maturities on notes payable are as follows:

2020	157,220
2021	2,671,706
2022	38,506
2023	40,075
2024	41,707
Next 5 years	235,454
Next 5 years	<u>265,051</u>

Total: \$3,449,719

Word Tabernacle Church
Rocky Mount, North Carolina
Notes to the Financial Statement
For the Year Ended December 31, 2018

Accrued Payroll

The Church disburses payroll on the 15th of each month. As of December 31, 2018, the payroll (and related expenses) for December was payable on January 15, 2019 in the amount of \$95,062.

In 2016 the Church established a formal policy concerning employee vesting of compensated absences payable. The Paid Time Off (PTO) Policy permits only a maximum of forty (40) hours to be carried over to the next year. As of December 31, 2018, there was \$9,197 compensated absences payable.

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. There were no restricted net assets at December 31, 2018.

Note 5 – Commitments

There were no significant commitments or contingencies at December 31, 2018.

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 are as follows:

Salaries and related expenses	\$ 1,193,109
Employee - medical insurance	87,149
- 403(B) retirement plan (employer contributions)	<u>18,965</u>
Total:	<u>\$ 1,299,223</u>

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%.

**Word Tabernacle Church
Rocky Mount, North Carolina
Notes to the Financial Statement
For the Year Ended December 31, 2018**

Note 7 – Functional Expense Classifications

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

Corporate expenses include fiscal affairs and database management.

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

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, 2018 was \$305,545.

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 has \$994,251 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$934,508 and receivables expected to be collected within one year of \$59,743.

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.

Note 11 – Subsequent Events

The Church has evaluated subsequent events through the date the financial statements were available for issuance on July 16, 2019. No matters were identified affecting the accompanying financial statements or related disclosure that have not been reflected in this report.

**Word Tabernacle Church
Rocky Mount, North Carolina
Notes to the Financial Statement
For the Year Ended December 31, 2018**

Note 12 – Recently Issued Accounts Pronouncements

In August 2016, the FASB issued new accounting standards, ASU 2016-14 (Topic 958), to improve the current net asset classification requirements and information presented in Financial Statements and Notes about a not-for-profit entity's liquidity, financial performance and cash flows. This ASU is effective beginning in 2018 and is reflected in these financial statements.