

WORD TABERNACLE CHURCH

FINANCIAL STATEMENTS

**For The Year Ended
December 31, 2019**

Word Tabernacle Church

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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, 2019, 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, 2019, 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, 2020

Financial Statements

**Word Tabernacle Church
Rocky Mount, North Carolina
Statement of Financial Position
December 31, 2019**

Exhibit 1

	<u>Total</u>
Assets	
Current Assets:	
Cash:	
Checking Accounts	\$ 359,140
Savings Accounts	333,159
Sales Tax Receivable & Other	26,340
Notes Receivable-Related Party (current portion)	49,489
Total Current Assets	<u>\$ 768,128</u>
Noncurrent Assets:	
Notes Receivable - Related Party	\$ 207,486
Property and Equipment:	
Land	1,262,741
Buildings & Improvements	6,767,937
Furniture & Equipment	945,662
Vehicles	105,850
Total Property and Equipment	<u>\$ 9,082,190</u>
Less accumulated depreciation	1,173,662
Net Property and Equipment	<u>\$ 7,908,528</u>
Total Noncurrent Assets	<u>\$ 8,116,014</u>
Total Assets	<u><u>\$ 8,884,142</u></u>
Liabilities and Net Assets	
Current Liabilities:	
Accounts payable	\$ 77,176
Accrued salaries and related expenses	88,193
Current maturities of long-term debt	357,389
Total Current Liabilities	<u>\$ 522,758</u>
Long-Term Liabilities:	
Notes payable - net of current portion	<u>\$ 3,286,847</u>
Total Liabilities	<u><u>\$ 3,809,605</u></u>
Net Assets:	
Without Donor Restrictions	\$ 5,053,500
With Donor Restrictions	21,037
Total Net Assets	<u>\$ 5,074,537</u>
Total Liabilities and Net Assets	<u><u>\$ 8,884,142</u></u>

See accompanying notes and accountant's report.

Word Tabernacle Church
Rocky Mount, North Carolina
Statement of Activities
Year Ended December 31, 2019

Exhibit 2

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Tithes and offerings	\$ 2,544,226	\$ -	\$ 2,544,226
Ministry income and missions	149,092	-	149,092
Pastoral support and appreciation	98,650	-	98,650
Project Thrive	-	149,955	149,955
Grant ECU	-	30,000	30,000
Other Income	3,406	-	3,406
Interest income	6,655	-	6,655
Total	<u>\$ 2,802,029</u>	<u>\$ 179,955</u>	<u>\$ 2,981,984</u>
Net Assets released from restrictions	158,918	(158,918)	-
Total Revenues and Other Support	<u>\$ 2,960,947</u>	<u>\$ 21,037</u>	<u>\$ 2,981,984</u>
Expenses:			
Word Tabernacle Church	\$ 593,920	\$ -	\$ 593,920
Business Operations	713,353	-	713,353
College, Childhood & Career Success	242,139	-	242,139
Faith & Family	162,008	-	162,008
Community & Collaboration	183,573	-	183,573
Performing Arts & Worship	153,295	-	153,295
Culinary Arts	8,335	-	8,335
Health & Wellness	3,049	-	3,049
Media & Broadcast	31,856	-	31,856
Leadership Development & Capacity Bldg	334,240	-	334,240
Total Expenses	<u>\$ 2,425,768</u>	<u>\$ -</u>	<u>\$ 2,425,768</u>
Change in Net Assets	535,179	21,037	556,216
Net Assets,			
Beginning of year	4,518,321	-	4,518,321
End of year	<u>\$ 5,053,500</u>	<u>\$ 21,037</u>	<u>\$ 5,074,537</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

	<u>WTC</u>	<u>Business Operatrions</u>	<u>C3 - Success</u>	<u>Faith & Family</u>	<u>Community & Collaboration</u>
Salaries & related expenses	\$ 84,136	\$ 354,776	\$ 164,531	\$ 87,860	\$ 99,321
Office & occupancy	49,413	205,425	2,170	5,537	1,574
Contract & professional services	10,810	83,262	-	25,255	3,785
Ministry & outreach	44,649	69,744	64,200	38,769	77,765
Training & education	-	146	2,939	3,798	1,000
Travel & lodging	-	-	8,299	789	128
Mortgage interest	144,327	-	-	-	-
Depreciation	260,585	-	-	-	-
 Total Expenses	 <u>\$ 593,920</u>	 <u>\$ 713,353</u>	 <u>\$ 242,139</u>	 <u>\$ 162,008</u>	 <u>\$ 183,573</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

<u>Worship</u>	<u>Culinary Arts</u>	<u>Health & Wellness</u>	<u>Media & Broadcasting</u>	<u>Leadership Dev. & Capacity Building</u>	<u>Total</u>
\$ 131,574	\$ -	\$ -	\$ 13,967	\$ 317,633	\$ 1,253,798
323	3,634	7	-	192	268,275
2,571	308	-	4,930	2,250	133,171
17,328	4,393	2,766	12,959	9,604	342,177
1,050	-	276	-	1,242	10,451
449	-	-	-	3,319	12,984
-	-	-	-	-	144,327
-	-	-	-	-	260,585
<u>\$ 153,295</u>	<u>\$ 8,335</u>	<u>\$ 3,049</u>	<u>\$ 31,856</u>	<u>\$ 334,240</u>	<u>\$ 2,425,768</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, 2019

Exhibit 4

Cash Flows From Operating Activities:

Change in net assets	\$ 556,216
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation writeoff	260,585
(Increase) Decrease in:	
Receivables and advances	(15,167)
Increase (Decrease) in:	
Accounts payable and accrued expenses	13,018
Accrued salaries and related expenses	(6,870)
Compensated absences payable	(9,198)
Net Cash Provided by Operating Activities	\$ 798,584

Cash Flows From Investing Activities:

Purchase of equipment and construction cost incurred	\$ (1,132,814)
Proceeds from sale of Fixed Assets	-
Net Cash Provided (Used) by Investing Activities	\$ (1,132,814)

Cash Flows From Financing Activities:

Principal payments on long-term debt	\$ (219,657)
Principal collected on related party debt	48,570
Loan Proceeds	263,108
Net Cash Provided (Used) by Financing Activities	\$ 92,021

Net Increase (Decrease) in Cash	(242,209)
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Cash:

Beginning of year	934,508
End of year	\$ 692,299

Supplemental Disclosures of Cash Flow Information:

Cash payment for interest during fiscal year	\$ 144,327
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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, 2019**

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 \$149,955 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, 2019, 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.

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, 2019**

Financial Risk

The Church maintains cash in bank deposit accounts which exceed federally insured limits. Deposits exceed FDIC insurance coverage by \$169,703 at December 31, 2019. 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 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 \$260,585.

**Word Tabernacle Church
Rocky Mount, North Carolina
Notes to the Financial Statement
For the Year Ended December 31, 2019**

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 – This loan was refinanced at 4.0% payable in monthly installments of \$5,671 (including interest) with a balloon payment of \$489,001 due on September 8, 2024. This Note is secured by 59 acres and two buildings on West Mount Drive	\$692,272
Word Plaza Property – On June 24, 2016 the Church termed out a Construction loan at 4% with monthly payments of \$19,136 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	2,756,836
Construction Loan – On May 30, 2019 the Church entered into a short-term construction loan agreement at 5.19%. This approved borrowing of up to \$250,000 and matures on April 18, 2020. At year end the Church had borrowed \$99,957. This loan is secured by previously executed agreements on Word Plaza Property	99,957
Capital Lease Agreement – In June 2019 the Church entered into a short-term capital lease agreement to purchase audio/video equipment in the amount of \$163,151. This agreement is for 12 monthly payments of \$14,560 including interest	95,171
Total:	<u>\$3,644,236</u>
Less current portion	<u>357,389</u>
	<u><u>\$3,286,847</u></u>

**Word Tabernacle Church
Rocky Mount, North Carolina
Notes to the Financial Statement
For the Year Ended December 31, 2019**

Future scheduled maturities on notes payable are as follows:

2021	2,677,513
2022	44,097
2023	45,919
2024	<u>519,318</u>
Total:	<u>\$3,286,847</u>

Accrued Payroll

The Church disburses payroll on the 15th of each month. As of December 31, 2019, the payroll (and related expenses) for December was payable on January 15, 2020 in the amount of \$88,193.

As of December 31, 2019 the Church has no policy for carryover of any unused Paid Time Off (PTO). Any unused accrued vacation expires at year end.

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 \$21,037.

Note 5 – Commitments

There were no significant commitments or contingencies at December 31, 2019.

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 \$1,253,798.

Word Tabernacle Church
Rocky Mount, North Carolina
Notes to the Financial Statement
For the Year Ended December 31, 2019

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 \$18,217.

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.

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, 2019 was \$256,975.

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.

Word Tabernacle Church
Rocky Mount, North Carolina
Notes to the Financial Statement
For the Year Ended December 31, 2019

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

Cash & Cash Equivalents	\$ 692,299
Accounts Receivable	26,340
Notes Receivable - Current Portion	<u>49,489</u>
Total Financial Assets	768,128
Less amounts unavailable for general expenditures within one year:	
Donor Restricted Cash	<u>(21,037)</u>
Unrestricted Financial Assets	<u><u>\$ 747,091</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.

Note 11 – Subsequent Events

The Church has evaluated subsequent events through the date the financial statements were available for issuance on August 12, 2020. No matters were identified affecting the accompanying financial statements or related disclosure that have not been reflected in this report.