

**SOUTHBROOK CHRISTIAN CHURCH**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**GOLDSHOT, LAMB & HOBBS, INC.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**3066 KETTERING BLVD**  
**DAYTON, OHIO 45439**

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Certified Public Accountants

Business Advisors

## INDEPENDENT AUDITOR'S REPORT

To the Vision Team  
SouthBrook Christian Church

We have audited the accompanying financial statements of SouthBrook Christian Church (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of September 30, 2014 and 2013, and the related statements of support, revenue, expenses, and changes in net assets - modified cash basis and cash flows - modified cash basis for the years 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 the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of SouthBrook Christian Church as of September 30, 2014 and 2013, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

## **Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Goldshot, Lamb & Hobbs, chc.*

January 8, 2015

**SOUTHBROOK CHRISTIAN CHURCH**

**STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS**

**SEPTEMBER 30, 2014 AND 2013**

**ASSETS**

	<u>2014</u>	<u>2013</u>
<b><u>CURRENT ASSETS</u></b>		
Cash	\$ 1,804,549	\$ 1,413,104
Investment	57,392	50,640
Credit Card Overpayment	24,166	-
Total Current Assets	<u>1,886,107</u>	<u>1,463,744</u>
<b><u>PROPERTY AND EQUIPMENT</u></b>		
Land and Improvements	1,749,134	1,749,134
Buildings and Improvements	13,764,976	13,405,683
Campus Systems	63,096	63,096
Furniture and Equipment	1,215,692	1,147,982
Vehicle	20,800	20,800
Information Systems	63,172	63,172
Construction in Process	164,284	-
Total Property and Equipment	<u>17,041,154</u>	<u>16,449,867</u>
Less: Accumulated Depreciation	<u>4,306,039</u>	<u>3,736,303</u>
Total Property and Equipment - Net	<u>12,735,115</u>	<u>12,713,564</u>
<b>TOTAL</b>	<u><u>\$ 14,621,222</u></u>	<u><u>\$ 14,177,308</u></u>

**LIABILITIES AND NET ASSETS**

	<u>2014</u>	<u>2013</u>
<b><u>CURRENT LIABILITIES</u></b>		
Funds Due to Events and Classes	\$ 28,944	\$ 16,886
Current Portion of Long-Term Obligation	<u>176,464</u>	<u>164,112</u>
Total Current Liabilities	<u>205,408</u>	<u>180,998</u>
<b><u>LONG-TERM OBLIGATION (Net of Current Portion)</u></b>	<u>6,004,350</u>	<u>6,281,032</u>
<b><u>TOTAL LIABILITIES</u></b>	<u>6,209,758</u>	<u>6,462,030</u>
<b><u>NET ASSETS</u></b>		
Temporarily Restricted Net Assets	55,120	21,991
Unrestricted Net Assets	<u>8,356,344</u>	<u>7,693,287</u>
Total Net Assets	<u>8,411,464</u>	<u>7,715,278</u>
<b>TOTAL</b>	<u><u>\$ 14,621,222</u></u>	<u><u>\$ 14,177,308</u></u>

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

**SOUTHBROOK CHRISTIAN CHURCH**

**STATEMENT OF SUPPORT, REVENUE, EXPENSES, AND CHANGE IN NET ASSETS -**

**MODIFIED CASH BASIS**

**YEAR ENDED SEPTEMBER 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>SUPPORT AND REVENUE</u></b>			
Contributions	\$ 5,473,404	\$ 472,097	\$ 5,945,501
Bookstore Revenue	58,324	-	58,324
Interest and Dividends	1,755	-	1,755
Change in Market Value of Investments	6,752	-	6,752
Loss on Sales of Securities	(1,132)	-	(1,132)
Loss on Disposal of Assets	-	-	-
Net Assets Released from Restrictions	438,968	(438,968)	-
Total Support and Revenue	<u>5,978,071</u>	<u>33,129</u>	<u>6,011,200</u>
<b><u>EXPENSES</u></b>			
Administration	257,023	-	257,023
Bookstore	48,525	-	48,525
Campus	440,471	-	440,471
Communications	90,533	-	90,533
Community Care	14,790	-	14,790
Community Groups/Small Groups	12,813	-	12,813
Compensation and Benefits	2,449,466	-	2,449,466
Depreciation	569,736	-	569,736
Designated Funds	102,745	-	102,745
Discipleship	63,963	-	63,963
Epic	33,888	-	33,888
Events	150,617	-	150,617
Guest Services	187,192	-	187,192
Leadership Development	44,375	-	44,375
Missions	539,304	-	539,304
Mortgage Interest	222,101	-	222,101
SouthBrook Kids	27,836	-	27,836
Worship Arts	59,636	-	59,636
Total Expenses	<u>5,315,014</u>	<u>-</u>	<u>5,315,014</u>
<b><u>CHANGE IN NET ASSETS</u></b>	663,057	33,129	696,186
<b><u>NET ASSETS - BEGINNING</u></b>	<u>7,693,287</u>	<u>21,991</u>	<u>7,715,278</u>
<b><u>NET ASSETS - ENDING</u></b>	<u>\$ 8,356,344</u>	<u>\$ 55,120</u>	<u>\$ 8,411,464</u>

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

**SOUTHBROOK CHRISTIAN CHURCH**

**STATEMENT OF SUPPORT, REVENUE, EXPENSES, AND CHANGE IN NET ASSETS -**

**MODIFIED CASH BASIS**

**YEAR ENDED SEPTEMBER 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>SUPPORT AND REVENUE</u></b>			
Contributions	\$ 4,578,002	\$ 237,447	\$ 4,815,449
Bookstore Revenue	47,124	-	47,124
Interest and Dividends	1,792	-	1,792
Change in Market Value of Investments	8,440	-	8,440
Loss on Sales of Securities	(226)	-	(226)
Loss on Disposal of Assets	(10,782)	-	(10,782)
Net Assets Released from Restrictions	352,067	(352,067)	-
Total Support and Revenue	<u>4,976,417</u>	<u>(114,620)</u>	<u>4,861,797</u>
<b><u>EXPENSES</u></b>			
Administration	290,109	-	290,109
Bookstore	65,610	-	65,610
Campus	277,211	-	277,211
Communications	81,200	-	81,200
Community Care	12,035	-	12,035
Community Groups/Small Groups	18,247	-	18,247
Compensation and Benefits	2,296,736	-	2,296,736
Depreciation	595,109	-	595,109
Designated Funds	106,512	-	106,512
Discipleship	33,716	-	33,716
Epic	32,355	-	32,355
Events	134,422	-	134,422
Guest Services	236,474	-	236,474
Leadership Development	56,690	-	56,690
Missions	461,440	-	461,440
Mortgage Interest	230,991	-	230,991
SouthBrook Kids	30,893	-	30,893
Worship Arts	45,162	-	45,162
Total Expenses	<u>5,004,912</u>	<u>-</u>	<u>5,004,912</u>
<b><u>CHANGE IN NET ASSETS</u></b>	(28,495)	(114,620)	(143,115)
<b><u>NET ASSETS - BEGINNING</u></b>	<u>7,721,782</u>	<u>136,611</u>	<u>7,858,393</u>
<b><u>NET ASSETS - ENDING</u></b>	<u>\$ 7,693,287</u>	<u>\$ 21,991</u>	<u>\$ 7,715,278</u>

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



**SOUTHBROOK CHRISTIAN CHURCH**

**STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS**

**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in Net Assets	\$ 696,186	\$ (143,115)
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:		
Depreciation Expense	569,736	595,109
Loss on Disposal of Assets	-	10,782
Net Realized and Unrealized Gain on Investments	(5,619)	(8,214)
Donation of Investments	(39,610)	(6,851)
Donated Services	(105,384)	-
Change in Operating Assets and Liabilities		
Credit Card Overpayment	(24,166)	-
Funds Due to Events and Classes	12,058	7,217
Net Cash Provided by Operating Activities	<u>1,103,201</u>	<u>454,928</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Sale of Investments	38,477	6,625
Purchase of Property and Equipment	(485,903)	(490,495)
Net Cash Used by Investing Activities	<u>(447,426)</u>	<u>(483,870)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Payments on Long-term Obligations	(264,330)	(155,938)
Net Cash Used by Financing Activities	<u>(264,330)</u>	<u>(155,938)</u>
<b><u>NET INCREASE (DECREASE) IN CASH</u></b>	391,445	(184,880)
<b><u>CASH - BEGINNING</u></b>	<u>1,413,104</u>	<u>1,597,984</u>
<b><u>CASH - ENDING</u></b>	<u>\$ 1,804,549</u>	<u>\$ 1,413,104</u>
<b><u>SUPPLEMENTARY INFORMATION</u></b>		
Cash Paid for Interest	<u>\$ 222,101</u>	<u>\$ 230,991</u>
Cash Paid for Income Taxes	<u>\$ -</u>	<u>\$ -</u>

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

**SOUTHBROOK CHRISTIAN CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**1. NATURE OF ORGANIZATION:**

SouthBrook Christian Church (the Organization) is a not-for-profit Ohio corporation. The Organization provides a non-denominational place to worship and study the Bible. The Organization's mission is to help de-churched skeptics live like Jesus forever.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Basis of Accounting**

The financial statements are prepared on the modified cash basis of accounting; consequently certain revenue and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred, except provisions for property and long-term obligations are recorded.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

**Basis of Presentation**

The Organization reports information regarding its statement of assets, liabilities and net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Cash and Cash Equivalents**

The Organization considers all short-term investments with an original maturity of one year or less when purchased to be "cash equivalents".

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

**Investments**

The Organization carries investments in marketable securities with readily determinable fair values and all investments in annuities at their fair values in the Statements of Assets, Liabilities and Net Assets - Modified Cash Basis. Realized and unrealized gains and losses are included in the change in net assets in the accompanying Statement of Support, Revenues, Expenses and Changes in Net Assets - Modified Cash Basis.

**SOUTHBROOK CHRISTIAN CHURCH**

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Property and Equipment**

The Organization capitalizes all expenditures for property and equipment in excess of \$2,500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the useful lives as follows:

	<u>Years</u>
Land Improvements	15
Buildings and Improvements	10 - 30
Campus Systems	7 - 10
Furniture and Equipment	5 - 30
Vehicle	5
Information Systems	5 - 7

Gains and losses on disposal of property and equipment are reflected currently in revenue. Maintenance and repairs are charged to expense at the time the expenditure is incurred. Replacements and betterments, which significantly lengthen useful lives, are capitalized.

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Presentation of Sales Tax**

The State of Ohio imposes a sales tax on all of the Organization's sales to nonexempt customers. The Organization collects that sales tax from customers and remits the entire amount to the State. The Organization's accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

**Tax Exempt Status**

The Organization is exempt from federal income taxes under Internal Revenue Code 501(c)(3). However, income from certain activities not directly related to the Organization's exempt purpose is subject to taxation as unrelated business income. Additionally, since the Organization is publicly supported, contributions made to the Organization qualify for the maximum charitable contributions deduction under the Internal Revenue Code.

The Organization determines the recognition of uncertain tax positions, if applicable, that may subject the Organization to unrelated business income tax by applying a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with tax authorities. The Organization has not taken any uncertain tax positions.

**SOUTHBROOK CHRISTIAN CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Date of Management's Review**

Subsequent events have been evaluated through January 8, 2015, which is the date the financial statements were available to be issued.

**3. INVESTMENTS:**

Investment values as of September 30, 2014 and 2013 were as follows:

	2014		
	<u>Fair Value</u>	<u>Cost Value</u>	<u>Unrealized Loss</u>
Closely Held Stock	\$ 57,392	\$ 67,520	\$ (10,128)
	2013		
	<u>Fair Value</u>	<u>Cost Value</u>	<u>Unrealized Loss</u>
Closely Held Stock	\$ 50,640	\$ 67,520	\$ (16,880)

The Organization holds an investment individually, which is uninsured. The Organization's uninsured balances as of September 30, 2014 and 2013 were \$57,392 and \$50,640 respectively.

**4. FAIR VALUE MEASUREMENTS:**

Assets and liabilities are measured at their fair value, defined as the price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

A three-level fair value hierarchy that prioritizes the inputs is used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.
- Level 2 – Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

**SOUTHBROOK CHRISTIAN CHURCH**

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**4. FAIR VALUE MEASUREMENTS (continued):**

- Level 3 – Significant unobservable inputs that reflect the Company’s own assumptions about the assumption that market participants would use in pricing an asset or liability.

The Organization has determined that the only material financial assets or liabilities that are measured at fair value on a recurring basis and categorized using the fair value hierarchy are investments. For such investments, fair value measurement is based upon an appraisal (Level 2). The Level 2 security is a non-publicly traded financial institution’s stock. The market value was determined by an independent appraisal.

**5. LONG-TERM OBLIGATION:**

	<u>2014</u>	<u>2013</u>
First Financial Bank, interest at 3.45%, monthly payments of \$32,244 including interest, due July 2018, secured by real estate.	6,180,814	6,445,144
Less: Current Maturities	<u>176,464</u>	<u>164,112</u>
Total Long-term Obligation (Net of Current Portion)	<u>\$ 6,004,350</u>	<u>\$ 6,281,032</u>

Maturities of long-term obligation are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2015	\$ 176,464
2016	182,649
2017	189,051
2018	<u>5,632,650</u>
Total	<u>\$ 6,180,814</u>

The Organization has various loan covenants associated with its long-term obligation. One loan covenant requires that the Organization present its financial statements in accordance with accounting principles generally accepted in the United States of America. The Organization has obtained a waiver letter from the bank concerning this loan covenant because it uses the modified cash basis of accounting.

**SOUTHBROOK CHRISTIAN CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**6. LEASE:**

The Organization leases a copier for a 60 month term with monthly payments of \$670. The original lease ended in September 2013 and during the year ended September 30, 2014, the Organization leased the copier on a month to month basis. The lease expense for the years ended September 30, 2014 and 2013 was \$8,040 and \$8,040, respectively.

**7. RETIREMENT PLAN:**

The Organization participates in a retirement plan, which covers its pastors and full-time employees. The Plan is a tax sheltered annuity plan under Section 403(b) of the Internal Revenue Code. Under the Plan, employees may elect salary deferral. The Organization contributed \$99,326 and \$32,570 to the retirement plan for the years ended September 30, 2014 and 2013, respectively.

**8. CONCENTRATION OF CREDIT RISK:**

The Organization maintains cash balances at various institutions. The Federal Deposit Insurance Corporation, Securities Investor Protection Corporation, and National Credit Union Administration insured up to \$250,000 on all accounts at September 30, 2014 and 2013. At September 30, 2014 and 2013, the Organization's uninsured cash balances totaled \$972,323 and \$744,424, respectively.

**9. DESIGNATED UNRESTRICTED NET ASSETS:**

The management of the Organization has designated unrestricted net assets for the following purpose at September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
EPIC Missions (Kroger & Dorothy Lane Cards)	<u>\$ 3,084</u>	<u>\$ 6,601</u>

**10. TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets were available for the following purposes at September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Mission Fund	29,343	18,401
Trip Fund	<u>25,777</u>	<u>3,590</u>
Total Temporarily Restricted Net Assets	<u>\$ 55,120</u>	<u>\$ 21,991</u>

**SOUTHBROOK CHRISTIAN CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**11. FAIR VALUE OF INSTRUMENTS:**

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at September 30, 2014 and 2013, does not differ materially from the aggregate carrying values of its financial instruments in the accompanying balance sheets. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

**12. MISSIONS:**

Missions expense consisted of the following areas at September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Missions Budget	215,720	209,373
Restricted Expenses	<u>323,584</u>	<u>252,067</u>
Total Missions	<u>\$ 539,304</u>	<u>\$ 461,440</u>