



BROOKWOOD CHURCH

Financial Statements
With Independent Auditors' Report

September 30, 2022 and 2021

BROOKWOOD CHURCH

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INDEPENDENT AUDITORS' REPORT

Advisory Committee
Brookwood Church
Simpsonville, South Carolina

We have audited the accompanying financial statements of Brookwood Church, which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brookwood Church as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Brookwood Church and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Brookwood Church's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Advisory Committee
Brookwood Church
Simpsonville, South Carolina

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Brookwood Church's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Brookwood Church's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Columbia, South Carolina
December 8, 2022

BROOKWOOD CHURCH

Statements of Financial Position

	September 30,	
	<u>2022</u>	<u>2021</u>
ASSETS:		
Cash and cash equivalents	\$ 2,348,256	\$ 2,096,317
Other assets	373,537	79,127
Property and equipment—net	<u>16,070,328</u>	<u>16,074,246</u>
Total Assets	<u>\$ 18,792,121</u>	<u>\$ 18,249,690</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 98,834	\$ 77,060
Accrued expenses	276,505	243,797
Deferred revenue	60,124	65,194
Capital lease obligation	<u>91,570</u>	<u>118,903</u>
Total liabilities	<u>527,033</u>	<u>504,954</u>
Net assets:		
Without donor restrictions	18,264,795	17,738,632
With donor restrictions	<u>293</u>	<u>6,104</u>
Total net assets	<u>18,265,088</u>	<u>17,744,736</u>
Total Liabilities and Net Assets	<u>\$ 18,792,121</u>	<u>\$ 18,249,690</u>

See notes to financial statements

BROOKWOOD CHURCH

Statement of Activities

Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions of financial assets	\$ 7,698,695	\$ 293	\$ 7,698,988
Program revenue	1,056,154	-	1,056,154
Grant revenue	504,550	-	504,550
Other income	12,543	-	12,543
Total Support and Revenue	<u>9,271,942</u>	<u>293</u>	<u>9,272,235</u>
RECLASSIFICATIONS:			
Net assets released from purpose restrictions	<u>6,104</u>	<u>(6,104)</u>	<u>-</u>
EXPENSES:			
Program services:			
Communicating with God	815,987	-	815,987
Caring for Others at Brookwood	1,088,141	-	1,088,141
Caring for Others—Community & World	1,780,858	-	1,780,858
Connecting with Christians—Families	3,021,138	-	3,021,138
Connecting with Christians—Discipleship	906,791	-	906,791
	<u>7,612,915</u>	<u>-</u>	<u>7,612,915</u>
Supporting activities:			
Management and general	1,138,968	-	1,138,968
Total Expenses	<u>8,751,883</u>	<u>-</u>	<u>8,751,883</u>
Change in Net Assets	526,163	(5,811)	520,352
Net Assets, Beginning of Year	<u>17,738,632</u>	<u>6,104</u>	<u>17,744,736</u>
Net Assets, End of Year	<u>\$ 18,264,795</u>	<u>\$ 293</u>	<u>\$ 18,265,088</u>

See notes to financial statements

BROOKWOOD CHURCH

Statement of Activities

Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions of financial assets	\$ 7,004,868	\$ 6,104	\$ 7,010,972
Program revenue	1,015,758	-	1,015,758
Grant revenue	108,000	-	108,000
Other income	(24,323)	-	(24,323)
Total Support and Revenue	8,104,303	6,104	8,110,407
RECLASSIFICATIONS:			
Net assets released from purpose restrictions	1,980	(1,980)	-
EXPENSES:			
Program services:			
Communicating with God	895,142	-	895,142
Caring for Others at Brookwood	968,990	-	968,990
Caring for Others—Community & World	1,712,995	-	1,712,995
Connecting with Christians—Families	2,808,415	-	2,808,415
Connecting with Christians—Discipleship	818,199	-	818,199
	7,203,741	-	7,203,741
Supporting activities:			
Management and general	1,106,721	-	1,106,721
Total Expenses	8,310,462	-	8,310,462
Change in Net Assets	(204,179)	4,124	(200,055)
Net Assets, Beginning of Year	17,942,811	1,980	17,944,791
Net Assets, End of Year	\$ 17,738,632	\$ 6,104	\$ 17,744,736

See notes to financial statements

BROOKWOOD CHURCH

Statements of Cash Flows

	Year Ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 520,352	\$ (200,055)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	692,355	625,381
Loss on disposal of property and equipment	-	26,626
Changes in operating assets and liabilities:		
Other assets	(294,410)	(17,171)
Accounts payable	21,774	14,846
Accrued expenses	32,708	15,570
Deferred revenue	(5,070)	37,642
Net Cash Provided by Operating Activities	967,709	502,839
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(680,987)	(131,078)
Net Cash Used by Investing Activities	(680,987)	(131,078)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	-	(8,978)
Payments on capital lease obligation	(34,783)	(30,834)
Net Cash Used by Financing Activities	(34,783)	(39,812)
Net Change in Cash and Cash Equivalents	251,939	331,949
Cash and Cash Equivalents, Beginning of Year	2,096,317	1,764,368
Cash and Cash Equivalents, End of Year	\$ 2,348,256	\$ 2,096,317
NON CASH FINANCING ACTIVITY:		
Capital lease additions	\$ -	\$ 118,691
SUPPLEMENTAL CASH DISCLOSURE:		
Cash paid and expensed for interest	\$ 6,069	\$ 7,903

See notes to financial statements

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2022 and 2021

1. NATURE OF ORGANIZATION:

Brookwood Church (Church), organized in 1993 in Greenville, South Carolina, is a nonprofit organization operating as a religious organization under the laws of the state of South Carolina. The Church is dedicated to encouraging each other toward a transformative relationship with Jesus, in addition to loving God and loving people by pursuing these tangible priorities: Communicating with God, Connecting with Christians, and Caring for Others.

The Church is supported primarily through contributions from the congregation, as well as tuition from a preschool that is operated by the Church. The Church is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (Code) and comparable state law. Contributions to the Church are deductible from income taxes within the limitations prescribed by the Code. The Church is not a private foundation under Section 509(a)(1) of the Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Church have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

USE OF ESTIMATES

The preparation of the Church's financial statements in conformity with accounting principles generally accepted in the United States requires 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.

CASH AND CASH EQUIVALENTS

The Church maintains cash and cash equivalents in financial institutions which may, at times, exceed federally insured limits. Deposits in excess of federally insured limits were \$2,079,347 and \$1,804,616 at September 30, 2022 and 2021, respectively. The Church has not experienced any losses on such accounts.

PROPERTY AND EQUIPMENT

Items capitalized as property and equipment are stated at cost or, if donated, at fair value on the date of donation. The Church reports donations of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Church reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3-39 years. The Church generally capitalizes and reports property and equipment acquisitions in excess of \$5,000.

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets.

Without donor restrictions amounts are currently available at the discretion of the advisory committee for use in operations.

With donor restrictions amounts are stipulated by donors for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

REVENUES, EXPENSES, AND RECLASSIFICATIONS

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Church. Conditional promises to give with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

The Church reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statements of activities as satisfaction of purpose restrictions. The Church shows contributions and grants with restrictions whose restrictions are met in the same reporting period as contributions without restrictions on the statements of activities.

Donated goods (including securities, property, and equipment) are recorded at fair value at the date of the gift. The Church's policy is to convert donated securities to cash immediately upon receipt of the gift.

Academy tuition is recognized in the fiscal year in which the academic programs are provided to students. Fees are considered non-refundable. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the tuition and fees are recognized ratably over the course of the academic year. Payments received for future periods are reported as deferred revenue. Substantially all deferred revenue at September 30, 2022 and 2021, was recognized as revenue during the following year. All other exchange revenue is recognized when earned.

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing various program services and supporting activities of the Church have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited (Note 8).

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ISSUED ACCOUNTING STANDARD

In fiscal year 2022, the Church adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following represents the Church's financial assets as of September 30, 2022, and 2021, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Amounts not available include amounts set aside for long-term purposes that could be drawn upon if the governing board approves that action. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities, management and general expenses, and fundraising to be included.

	September 30,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 2,348,256	\$ 2,096,317
Less those unavailable for general expenditures within one year due to:		
Board-designated capital reserve	(676,547)	(678,592)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,671,709</u>	<u>\$ 1,417,725</u>

As of September 30, 2022 and 2021, respectively, the Church has financial assets available to meet general expenditures equal to approximately 76 and 67 days of normal cash expenditures, which is calculated as total expenses less depreciation. In addition, the Church has a goal to maintain cash in the operating account that is 10% of the annual budget. Funds can be made available for general expenditure from the capital reserve account if the advisory team approves the action. As more fully described in Note 5, the Church also has a line of credit in the amount of \$3,000,000, which it could draw on in the event of an unanticipated liquidity need.

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2022 and 2021

4. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net, consists of:

	<u>September 30,</u>	
	<u>2022</u>	<u>2021</u>
Buildings and building improvements	\$ 15,409,894	\$ 15,169,159
Land and land improvements	7,643,136	7,462,573
Equipment	5,796,960	6,019,317
Furniture and fixtures	1,276,475	1,279,414
Vehicles	68,404	68,404
	<u>30,194,869</u>	<u>29,998,867</u>
Less accumulated depreciation	<u>(14,124,541)</u>	<u>(13,924,621)</u>
Property and equipment–net	<u>\$ 16,070,328</u>	<u>\$ 16,074,246</u>

5. LINE OF CREDIT:

The Church has a \$3,000,000 line of credit that matures in June 2023. The balance of the line of credit was \$-0- for both September 30, 2022 and 2021. Interest is due in monthly installments based on the 30-Day LIBOR rate plus 1.50%, which was 4.64% and 1.59% at September 30, 2022 and 2021, respectively. Debt is collateralized by buildings and land. Interest expense under this line of credit totaled \$-0- for the years ended September 30, 2022 and 2021. The Church is in compliance with all restrictive covenants as of September 30, 2022.

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2022 and 2021

6. CAPITAL LEASES:

The Church is obligated under capital leases that expire March 2025 and December 2025, respectively. Interest expense totaled \$6,069 and \$7,903 for the years ended September 30, 2022 and 2021, respectively. The gross amount of equipment and related accumulated amortization recorded under these capital leases was as follows:

	September 30,	
	2022	2021
Equipment	\$ 126,141	\$ 118,691
Less accumulated amortization	(42,163)	(17,804)
	\$ 83,978	\$ 100,887

Future minimum capital lease payments as of September 30, 2022, were:

Years Ending September 30,	Amounts
2023	\$ 34,584
2024	29,837
2025	28,427
2026	6,755
	99,603
Less amount representing interest	(8,033)
Present value of net minimum capital lease payments	\$ 91,570

7. NET ASSETS:

Net assets consist of:

	September 30,	
	2022	2021
Without donor restrictions:		
Undesignated	\$ 17,588,248	\$ 17,060,040
Board-designated capital reserve	676,547	678,592
	18,264,795	17,738,632
With donor restrictions:		
Missions trip	293	6,104
	\$ 18,265,088	\$ 17,744,736

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2022 and 2021

8. FUNCTIONAL ALLOCATION OF EXPENSES:

In order to report the Church's expenses on a functional basis, the costs of providing various program services and supporting activities are allocated among the program services and supporting activities benefited. Salaries, taxes and benefits are allocated on a time estimate basis. Depreciation, repairs and maintenance, utilities and facilities costs are allocated based on square footage. All other natural classifications are allocated based upon an analysis of the specific activities, which is tracked through individual general ledger accounts.

Functional expenses by natural classification for the year ended September 30, 2022:

	<u>Program Activities</u>					<u>Total Program</u>	<u>Management and General</u>	<u>Total Expenses</u>
	<u>Communicating with God</u>	<u>Caring for Others at Brookwood</u>	<u>Caring for Others– Community & World</u>	<u>Connecting with Christians– Families</u>	<u>Connecting with Christians– Discipleship</u>			
Salaries, taxes, benefits	\$ 607,117	\$ 804,822	\$ 382,242	\$ 1,882,898	\$ 507,595	\$ 4,184,674	\$ 855,463	\$ 5,040,137
Contributions to missions	-	-	1,264,413	-	-	1,264,413	-	1,264,413
Depreciation	59,681	82,183	32,610	361,063	130,024	665,561	26,794	692,355
Repairs and maintenance	7,211	4,290	1,702	18,850	6,788	38,841	1,399	40,240
Utilities	15,512	21,360	8,476	93,843	33,794	172,985	6,964	179,949
Facilities	30,682	42,250	16,765	185,621	66,845	342,163	13,775	355,938
Insurance	3,135	4,317	1,713	19,371	6,830	35,366	1,408	36,774
Information technology	9,189	12,653	5,021	55,592	20,019	102,474	4,125	106,599
Supplies	31	19,832	24,396	230,498	101,723	376,480	-	376,480
Other expenses	83,429	96,434	43,520	173,402	33,173	429,958	229,040	658,998
	<u>\$ 815,987</u>	<u>\$ 1,088,141</u>	<u>\$ 1,780,858</u>	<u>\$ 3,021,138</u>	<u>\$ 906,791</u>	<u>\$ 7,612,915</u>	<u>\$ 1,138,968</u>	<u>\$ 8,751,883</u>

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2022 and 2021

8. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

Functional expenses by natural classification for the year ended September 30, 2021:

	Program Activities					Total Program	Management and General	Total Expenses
	Communicating with God	Caring for Others at Brookwood	Caring for Others– Community & World	Connecting with Christians– Families	Connecting with Christians– Discipleship			
Salaries, taxes, benefits	\$ 686,342	\$ 750,098	\$ 372,085	\$ 1,794,571	\$ 425,433	\$ 4,028,529	\$ 857,724	\$ 4,886,253
Contributions to missions	-	-	1,226,439	-	-	1,226,439	-	1,226,439
Depreciation	53,908	74,233	29,455	326,136	117,447	601,179	24,202	625,381
Repairs and maintenance	5,080	1,648	813	7,351	2,607	17,499	537	18,036
Utilities	14,735	20,290	8,051	89,145	32,102	164,323	6,615	170,938
Facilities	32,454	44,690	17,733	196,344	70,706	361,927	14,570	376,497
Insurance	3,026	4,166	1,653	18,708	6,592	34,145	1,358	35,503
Information technology	6,207	8,547	3,392	37,552	13,523	69,221	2,787	72,008
Supplies	1,467	9,692	18,809	179,076	118,338	327,382	-	327,382
Other expenses	91,923	55,626	34,565	159,532	31,451	373,097	198,928	572,025
	<u>\$ 895,142</u>	<u>\$ 968,990</u>	<u>\$ 1,712,995</u>	<u>\$ 2,808,415</u>	<u>\$ 818,199</u>	<u>\$ 7,203,741</u>	<u>\$ 1,106,721</u>	<u>\$ 8,310,462</u>

BROOKWOOD CHURCH

Notes to Financial Statements

September 30, 2022 and 2021

9. EMPLOYEE BENEFITS:

The Church has a defined contribution retirement plan for its employees through GuideStone Financial Resources. All pastors and full-time employees are eligible for the program. The Church makes contributions of up to 5% of the employee's salary on behalf of eligible employees. Total retirement expenses for the years ended September 30, 2022 and 2021, were \$133,835 and \$123,815, respectively.

10. RELATED PARTY TRANSACTIONS:

During the year ended September 30, 2022, the Church donated to a nonprofit organization that was managed by a relative of a trustee of the Church. The Church donated \$864,750 to this organization during the year ended September 30, 2022.

11. EMPLOYEE WELFARE PLAN:

The Church has an employee welfare plan that provides health benefits to its employees. The plan is administered by an insurance provider, but partial liability for benefits is retained by the Church. The Church chose a high deductible plan and provides partial payments of the deductible. The Church pays claims falling between \$1,401-\$2,200 for individuals and \$2,701-\$4,400 for families. Claims paid by the Church are accrued based upon the aggregate of the liability for reported claims and an estimated liability for claims incurred but not reported. The liability is included with accrued expenses and the liability as of September 30, 2022 and 2021, was \$12,680 and \$8,808, respectively.

12. SUBSEQUENT EVENTS:

Subsequent events were evaluated through December 8, 2022, which represents the date the financial statements were available to be issued.