

**LIVING WORD UNITED METHODIST CHURCH
Wildwood, Missouri**



December 31, 2018

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LIVING WORD UNITED METHODIST CHURCH
Wildwood, Missouri

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INDEPENDENT AUDITOR'S REPORT

To the Leadership Team of Living Word United Methodist Church

We have audited the accompanying financial statements of Living Word United Methodist Church (a Missouri not-for-profit organization), which comprise the statement of assets, liabilities and net assets – modified cash basis as of December 31, 2018, and the related statements of support, revenue and expenses – modified cash basis, functional expenses – modified cash basis and cash flows – modified cash basis, 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 the modified cash basis of accounting as described in Note 1; 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 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 of material misstatement.

An audit involves performing procedures to obtain 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.

INDEPENDENT AUDITOR'S REPORT
Living Word United Methodist Church

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Living Word United Methodist Church as of December 31, 2018, and its support, revenue and expenses for the year then ended in conformity with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 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 this matter.

Stanley, Dirnberger, Hopper and Associates, LLC

STANLEY, DIRNBERGER, HOPPER AND ASSOCIATES, LLC
Certified Public Accountants

April 5, 2019
Cape Girardeau, Missouri

LIVING WORD UNITED METHODIST CHURCH
Wildwood, Missouri

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS

DECEMBER 31, 2018

ASSETS:

Current Assets:

Cash and Cash Equivalents:

Cash on Hand	\$	30
Cash Deposits with Financial Institutions		533,566
Cash Deposits with Brokerage Account		17,183
Cash Deposits in Foreign Bank Account		6,293
Cash on Prepaid Credit Cards		1,061
Total Cash and Cash Equivalents	\$	<u>558,133</u>

Investments, at Fair Value	1,015,141
Endowment Fund, at Fair Value	17,661
Property and Equipment, Net	<u>8,217,644</u>
TOTAL ASSETS	\$ <u><u>9,808,579</u></u>

LIABILITIES AND NET ASSETS:

Current Liabilities:

Current Portion of Long-Term Debt	\$	<u>192,635</u>
Total Current Liabilities	\$	192,635

Long-Term Debt	<u>3,312,643</u>
Total Liabilities	\$ <u><u>3,505,278</u></u>

Net Assets:

Without Donor Restrictions:

Undesignated	\$	5,208,359
Designated		443,533
Total Without Donor Restrictions	\$	<u>5,651,892</u>

With Donor Restrictions:

Purpose or Time Restrictions	\$	645,809
Endowment		5,600
Total With Donor Restrictions	\$	<u>651,409</u>
Total Net Assets	\$	<u><u>6,303,301</u></u>

TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>9,808,579</u></u>
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The accompanying notes to financial statements are an integral part of these statements.

LIVING WORD UNITED METHODIST CHURCH
Wildwood, Missouri

STATEMENT OF SUPPORT, REVENUE AND EXPENSES - MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Purpose or Time</u>	<u>Endowment</u>	
SUPPORT AND REVENUE:				
Contributions	\$ 1,962,645	\$ 306,947	\$ -	\$ 2,269,592
Program and Fundraising Revenue	19,437	7,484	-	26,921
Early Childhood Center	184,529	5,032	-	189,561
Miscellaneous Revenue	10,318	-	-	10,318
Investment Earnings (Loss)	(28,660)	-	-	(28,660)
	<u>\$ 2,148,269</u>	<u>\$ 319,463</u>	<u>\$ -</u>	<u>\$ 2,467,732</u>
Net Assets Released from Restrictions	<u>229,057</u>	<u>(229,057)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>\$ 2,377,326</u>	<u>\$ 90,406</u>	<u>\$ -</u>	<u>\$ 2,467,732</u>
OPERATING EXPENSES:				
Program Services:				
Living Word Ministry	\$ 1,251,715	\$ -	\$ -	\$ 1,251,715
Missions	527,498	-	-	527,498
Early Childhood Center	244,282	-	-	244,282
Supportive Services:				
Management and General	<u>150,224</u>	<u>-</u>	<u>-</u>	<u>150,224</u>
Total Operating Expenses	<u>\$ 2,173,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,173,719</u>
OTHER EXPENSES:				
Depreciation Expense	\$ 225,478	\$ -	\$ -	\$ 225,478
Interest Expense	<u>112,717</u>	<u>-</u>	<u>-</u>	<u>112,717</u>
Total Other Expenses	<u>\$ 338,195</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 338,195</u>
Change in Net Assets	<u>\$ (134,588)</u>	<u>\$ 90,406</u>	<u>\$ -</u>	<u>\$ (44,182)</u>
Net Assets - Beginning of Year	<u>5,786,480</u>	<u>555,403</u>	<u>5,600</u>	<u>6,347,483</u>
Net Assets - End of Year	<u><u>\$ 5,651,892</u></u>	<u><u>\$ 645,809</u></u>	<u><u>\$ 5,600</u></u>	<u><u>\$ 6,303,301</u></u>

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

LIVING WORD UNITED METHODIST CHURCH
Wildwood, Missouri

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services				Management and General	Total
	Living Word Ministries	Missions	Early Childhood Center	Sub-total		
Direct Charged Expenses:						
Apportionments	\$ -	\$ 209,572	\$ -	\$ 209,572	\$ -	\$ 209,572
Program Supplies and Other Expenses	108,691	196,473	9,952	315,116	12,114	327,230
Salaries and Wages	-	-	175,934	175,934	-	175,934
Payroll Taxes	-	-	13,459	13,459	-	13,459
Professional Services	-	-	-	-	6,190	6,190
Allocated Expenses:						
Communications	13,681	1,824	1,824	17,329	912	18,241
Office Expenses	22,530	3,004	3,004	28,538	1,504	30,042
Postage	2,625	350	350	3,325	175	3,500
Technology Support	12,785	1,705	1,705	16,195	852	17,047
Multimedia Ministry	15,526	2,070	2,070	19,666	1,035	20,701
Insurance	20,070	2,676	2,676	25,422	1,338	26,760
Repairs and Maintenance	79,223	10,563	10,563	100,349	5,281	105,630
Utilities	65,105	8,681	8,681	82,467	4,340	86,807
Vehicle Expenses	2,459	328	328	3,115	163	3,278
Salaries and Wages	698,190	67,793	13,082	779,065	94,419	873,484
Payroll Taxes	34,900	3,389	654	38,943	4,720	43,663
Employee Benefits	175,930	19,070	-	195,000	17,181	212,181
Total Expenses	\$ 1,251,715	\$ 527,498	\$ 244,282	\$ 2,023,495	\$ 150,224	\$ 2,173,719

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

LIVING WORD UNITED METHODIST CHURCH
Wildwood, Missouri

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ (44,182)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation Expense	225,478
Realized and Unrealized Losses on Investments	<u>51,150</u>
Net Cash Provided By Operating Activities	\$ <u>232,446</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of Property and Equipment	\$ (29,753)
Net of Investment Withdraws and Reinvestments	<u>70,736</u>
Net Cash Provided by Investing Activities	\$ <u>40,983</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments of Long-Term Debt	\$ <u>(186,714)</u>
Net Cash (Used by) Financing Activities	\$ <u>(186,714)</u>

Change in Cash and Cash Equivalents

\$ 86,715

Cash and Cash Equivalents - Beginning of Year

471,418

Cash and Cash Equivalents - End of Year

\$ 558,133

Supplemental Disclosure:

Cash Paid for Interest Expense	\$ <u><u>112,717</u></u>
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The accompanying notes to financial statements are an integral part of these statements.

LIVING WORD UNITED METHODIST CHURCH
Wildwood, Missouri

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

NATURE OF ACTIVITIES

Living Word United Methodist Church (the "Church") is a not-for-profit organization that services approximately 1,000 members. The Church was established in 1962 and is located on Manchester Road in Wildwood, Missouri. The Church serves a variety of missions and operates a preschool Monday through Thursday.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements of the Church have been 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. Under the modified cash basis of accounting, revenue is recognized as income when cash is received and expenses are generally recognized when paid. The Church does capitalize property and equipment when purchased and depreciates such over their estimated useful lives. The church also reports as a liability any payroll related liabilities and the current portion and long-term portion of debt.

The financial statements include the activities of the Church's general operating account and restricted accounts. The general operating account includes unrestricted and board designated funds that are unrestricted by the donor but are designated for a specific purpose by the Board. The restricted accounts are separately tracked for a specific donor purpose or time restriction.

FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements have been prepared in accordance with the provisions of Financial Accounting Standards Board ("FASB"), Accounting Standards Codification (the "FASB ASC"), which is the source of authoritative, non-governmental guidance. All references to authoritative accounting guidance contained in the disclosures are based on the general accounting topics within the FASB ASC.

The Church reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

- Without donor restrictions: Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated by a governing body.
- With donor restrictions: Net assets that are subject to explicit (purpose or time) donor-imposed restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use is limited by donor-imposed restrictions. Expenses are always reported as net assets without donor restrictions. Expirations of restrictions on net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and / or the stipulated time period has elapsed) are reported as net assets released from restrictions.

LIVING WORD UNITED METHODIST CHURCH
Wildwood, Missouri

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FAIR VALUE MEASUREMENTS

The Church follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value, and expands disclosures about the use of fair value measurements. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use).

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Church considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

PLEDGES RECEIVABLE

The Church does not record pledges receivable on its Statement of Assets, Liabilities and Net Assets.

PROPERTY AND EQUIPMENT

Property and equipment with a life of three years or more and a cost in excess of \$7,500 are capitalized and stated at cost. Donated assets are recorded at fair value as of the date of the donation. Donated assets are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Major additions and improvements are capitalized, while maintenance and repairs are expensed. When assets are sold or otherwise disposed of, the related costs and accumulated depreciation are removed. Any gain or loss arising from such disposition is included as income or expense in the year of disposition. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets. The estimated useful lives for computing depreciation expense on property and equipment are as follows:

	<u>Years</u>
Building	27.5 - 39
Furniture and Equipment	5 - 15
Vehicles	10

LONG-LIVED ASSET IMPAIRMENT

The Church evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended December 31, 2018.

LIVING WORD UNITED METHODIST CHURCH
Wildwood, Missouri

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

ENDOWMENT

The Church has an endowment fund that consists of an individual fund established exclusively for the purpose of providing members and friends' opportunities to make charitable gifts to the Church that will become a source for long-term financial support and living memorials. This endowment includes some donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The endowment funds are invested at the Missouri United Methodist Foundation, Inc. (the "Foundation"). The Church may withdraw funds as provided for in the agreement. Unless withdrawn by the Church, the earnings, gains or losses will be reinvested. It is the policy of the Foundation to process withdrawals following the next Valuation Date pursuant to written notice received from the Church. Accounts may be moved or reallocated at the direction of the Church within the policies of the Foundation. Accounts may be cancelled at any time by the Church or the Foundation, within sixty days following the receipt of appropriate written notice.

The Church classifies as a permanent endowment, the original value of gifts donated and any subsequent gifts to the permanent endowment. The remaining portion resulting from earnings may be appropriated for expenditure by the Church.

SUPPORT AND REVENUE

Revenue and support come mainly from the member contributions. Contributions also include support for Church activities such as mission trips, bible studies, youth events, etc. The Church operates a pre-school program and charges a fee to participants for this program. Net assets released from restrictions represent those monies or funds that were either spent according to their restricted purpose or which satisfied their time stipulation.

DONATED MATERIALS AND SERVICES

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) required specialized skills, are performed by people with those skills, and would otherwise be purchased by the Church. Volunteers have donated significant amounts of their time in the Church's program services and its fund-raising campaigns. The Church has not recognized these services as contributions as the recognition criteria have not been met.

Donated noncash assets are recorded as contributions at their fair value on the date of donation. No donated materials were recorded for the year ended December 31, 2018.

FUNCTIONAL EXPENSE ALLOCATION

The costs of providing programs and other services have been summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or supporting service are charged directly according to their natural expense classification. Certain costs may be allocated among the programs and supporting services benefited based upon identifiable and estimated data, such as hours worked with specific programs or supporting services.

LIVING WORD UNITED METHODIST CHURCH
Wildwood, Missouri

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

ADVERTISING

The Church records advertising expenses to communications expense as they are paid in accordance with the modified cash basis of accounting. Communication or advertising expenses totaled \$18,241 for the year ended December 31, 2018.

INCOME TAXES

The Church is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

SUBSEQUENT EVENTS

The Church has evaluated the existence of subsequent events through April 5, 2019, which represents the date the financial statements were available to be issued.

RECLASSIFICATIONS

The beginning net asset balances of the Church have been reclassified to conform to the 2018 presentation of net assets.

RECENTLY ISSUED AND ACTIVE ACCOUNTING PRONOUNCEMENTS

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* to improve the net asset classification requirements and information presented in financial statements. The update requires a nonprofit organization to present two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. The ASU requires a nonprofit to report the investment return net of external and direct internal investment expenses and no longer requires disclosure of those netted expenses. This ASU also requires a nonprofit to present, on the face of the statement of cash flows, the net amount of operating cash flows using either the direct or indirect method of reporting. The indirect method is no longer required if using the direct method. Lastly, this ASU requires, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset.

The ASU will provide for enhance disclosures regarding the following:

- Amounts and purposes of governing Board designations, appropriations, etc.
- Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
- Qualitative information that communicates how a nonprofit manages its liquid resources.
- Quantitative information and additional qualitative information that communicates the availability of a nonprofit's financial assets.
- Expenses by both their natural classification and their functional classification.
- Method(s) used to allocate costs among program and support functions.
- Underwater endowment funds.

The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Church implemented this new guidance during the year ended December 31, 2018.

LIVING WORD UNITED METHODIST CHURCH
Wildwood, Missouri

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2: LIQUIDITY AND AVAILABILITY OF RESOURCES:

The Church regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet expenses over a 12-month period, the Church factors in all expenses directly related to its ongoing mission as well as the services undertaken to support the mission. The Church anticipates collecting sufficient revenue to cover expenses. Refer to the statement of cash flows which identifies the sources and uses of the cash and cash equivalents. As of December 31, 2018, the following financial assets could readily be available within one year of the statement of assets, liabilities, and net assets date for operational needs:

Cash and Cash Equivalents	\$	558,133
Investments, at Fair Value		<u>1,015,141</u>
Financial Assets at Year End	\$	<u><u>1,573,274</u></u>

The Church also has a line of credit available to meet short-term needs. Refer to Note 8 for information regarding this line of credit.

NOTE 3: FAIR VALUE MEASUREMENT:

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are accessible unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The instruments' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Carrying amounts of certain financial instruments such as cash and cash equivalents approximate fair value due to their short maturities or because the terms are similar to market terms. There have been no changes in the methodologies used.

LIVING WORD UNITED METHODIST CHURCH
Wildwood, Missouri

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3: FAIR VALUE MEASUREMENT: (continued)

The following is a description of the valuation methodologies used for instruments measured at fair value within the Church's financial statements:

- Level 1 Instruments consist of publicly traded common stocks, bonds and mutual funds. Common stocks and mutual funds are traded on national exchanges and are stated at the last reported sales price on the date of valuation. Bonds are valued using a market approach on yields currently available on comparable securities of issuers with similar characteristics.
- Level 2 Instruments consist of the Missouri United Methodist Foundation Investment Fund (the Endowment Fund). The Endowment Fund is valued at "market value" per share. Market value per share is calculated by the Missouri United Methodist Foundation, Inc. based on quoted market prices of underlying investments held by the Endowment Fund.

The following table presents the fair value measurements of instruments recognized in the accompanying statement of assets, liabilities and net assets as of December 31, 2018:

	<u>Totals</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment Funds	\$ 17,661	\$ -	\$ 17,661	\$ -
Equities	151,621	151,621	-	-
Mutual Funds	<u>863,519</u>	<u>863,519</u>	-	-
Totals	<u>\$ 1,032,801</u>	<u>\$ 1,015,140</u>	<u>\$ 17,661</u>	<u>\$ -</u>

NOTE 4: INVESTMENTS:

A summary of the cost and fair value of investments held by the Church as of December 31, 2018 is as follows:

	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Fair Value</u>
Equities	\$ 152,131	\$ (510)	\$ 151,621
Mutual Funds	<u>877,802</u>	<u>(14,283)</u>	<u>863,519</u>
Totals	<u>\$ 1,029,933</u>	<u>\$ (14,793)</u>	<u>\$ 1,015,140</u>

Net investment income for the year ended December 31, 2018 is comprised of the following:

Interest and Dividend Income	\$ 36,490
Net Realized and Unrealized (Losses)	(51,150)
Investment Fees	<u>(14,000)</u>
Totals	<u>\$ (28,660)</u>

LIVING WORD UNITED METHODIST CHURCH
Wildwood, Missouri

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 5: ENDOWMENT FUND:

The Church has implemented a spending and investment policy, with the approval of the Leadership Team that provides for predictability in funding to the Church as well as longevity. The Church considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund.
- The purpose of the organization and the donor-restricted endowment fund.
- General economic conditions including the possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Church.
- The investment policies of the Church.

Endowment funds and activity as of and for the year ended December 31, 2018 is as follows:

	<u>Without Restriction</u>	<u>Permanent</u>	<u>Totals</u>
Beginning of the Year	\$ 13,161	\$ 5,600	\$ 18,761
Net Investment Income (Loss)	<u>(1,100)</u>	<u>-</u>	<u>(1,100)</u>
End of Year	<u>\$ 12,061</u>	<u>\$ 5,600</u>	<u>\$ 17,661</u>

NOTE 6: PROPERTY AND EQUIPMENT:

Property and equipment at December 31, 2018 consists of the following:

Land	\$ 2,500,000
Building and Improvements	8,266,606
Furniture and Equipment	176,861
Vehicles	<u>68,962</u>
Property and Equipment – at Cost	\$ 11,012,429
Less: Accumulated Depreciation	<u>(2,794,785)</u>
Property and Equipment, Net	<u>\$ 8,217,644</u>

Depreciation expense for the year ended December 31, 2018 totaled \$225,478.

LIVING WORD UNITED METHODIST CHURCH
Wildwood, Missouri

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 7: LONG-TERM DEBT:

The Church has a note payable dated June 19, 2014, secured by a deed of trust on the property at 17315 Manchester Road, that matures on June 19, 2024 and carries a variable interest rate equal to the 5 Year Treasury Index plus 2.12%. The interest rate was set at June 19, 2014 at 3.125% and may change On June 19, 2019 and every 60 months thereafter. Monthly principal and interest payments of \$24,953 are required for the first 60 months and is then subject to change with all remaining outstanding principal due on June 19, 2024. Interest expense paid during the year ended December 31, 2018 was \$112,717. The long-term debt balance and activity for the year ended December 31, 2018 was as follows:

Balance, Beginning of Year	\$ 3,691,992
Principal Payments	<u>(186,714)</u>
Balance, End of Year	<u>\$ 3,505,278</u>

Maturities of long-term debt as of December 31, 2018 are as follows:

2019	\$ 192,635
2020	198,742
2021	205,043
2022	211,543
2023	218,249
2024	<u>2,479,066</u>
	<u>\$ 3,505,278</u>

NOTE 8: LINE OF CREDIT:

The Church has a line of credit agreement for \$350,000, scheduled to expire on July 1, 2019. Interest is payable on the outstanding balance at the prime rate (5.50% at December 31, 2018) plus 0.25 percent, and borrowings are secured by the Church's property at 17315 Manchester Road. The Church was in compliance with all covenants at December 31, 2018. As of December 31, 2018, there were no borrowings outstanding under this line of credit. The Church did not incur any interest expense during the year ended December 31, 2018.

NOTE 9: DESIGNATED NET ASSETS:

The Church's Leadership Team has designated net assets without donor restrictions for reserve and strategic planning purposes and the following activity in these designated net assets for the year ended December 31, 2018 was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Used</u>	<u>Transfers</u>	<u>Ending</u>
Investment in Growth	\$ 155,669	\$ 1,500	\$ (24,437)	\$ (49,305)	\$ 83,427
Strategic Planning	<u>396,000</u>	<u>-</u>	<u>(35,894)</u>	<u>-</u>	<u>360,106</u>
Total	<u>\$ 551,669</u>	<u>\$ 1,500</u>	<u>\$ (60,331)</u>	<u>\$ (49,305)</u>	<u>\$ 443,533</u>

LIVING WORD UNITED METHODIST CHURCH
Wildwood, Missouri

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS:

The Church maintains specific accounts for funds received with donor provided restrictions. The activity for the year ended December 31, 2018 and the remaining balance as of December 31, 2018 for all accounts with donor provided restrictions are as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Used</u>	<u>Transfers</u>	<u>Ending</u>
A Room at the Inn	\$ 5,134	\$ -	\$ (300)	\$ -	\$ 4,834
Agape House	5,000	-	(5,000)	-	-
Celebration Arts	100	-	(100)	-	-
Discipleship Classes	711	1,166	(1,400)	-	477
ECC Share Fund	3,850	2,200	-	(2,858)	3,192
Epworth	5,000	-	-	-	5,000
Pastor's Discretionary Fund	16,950	7,590	(11,072)	(728)	12,740
Future Year Pledges	66,661	150,000	-	(54,661)	162,000
FBI Tour	592	-	-	-	592
Fellowship SS Class	410	316	-	-	726
Free the Girls	213	210	(385)	-	38
Bridges	1,212	-	-	-	1,212
Ghana Mission	385,886	6,953	(124,748)	-	268,091
Ghana Pastor Discretionary	15,000	-	-	-	15,000
Ghana Long-Term Maintenance	10,000	-	-	-	10,000
Haven House	5,000	-	(1,350)	-	3,650
Henderson Settlement	1,478	200	(1,678)	-	-
Love Offering	125	1,144	(1,269)	-	-
Mission Trips - Adults	-	6,055	(6,410)	355	-
Miracle Offering	-	129,319	-	1,000	130,319
Room Rental Deposits	250	1,000	-	-	1,250
Quilters	3,302	875	(160)	(1,000)	3,017
Slovakia	12,015	-	(4,909)	-	7,106
Meramec School	3,500	3,518	(7,390)	372	-
Youth Mission Trip	-	3,885	(3,068)	-	817
ECC Program Enhancements	10,698	5,032	(635)	653	15,748
Endowment Earnings	2,316	-	-	(2,316)	-
Total	<u>\$ 555,403</u>	<u>\$ 319,463</u>	<u>\$ (169,874)</u>	<u>\$ (59,183)</u>	<u>\$ 645,809</u>

LIVING WORD UNITED METHODIST CHURCH
Wildwood, Missouri

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11: RELATED PARTY TRANSACTIONS:

The Church is a member in the national network of the United Methodist Church. The Church makes monthly apportionment payments to the Missouri Conference of the United Methodist Church for general church and conference support. Payments made for the year ended December 31, 2018 was \$209,572.

The Church has an Endowment Fund with the Missouri United Methodist Foundation. Fair market value of this Endowment Fund as of December 31, 2018 was \$17,661.

NOTE 12: RETIREMENT PLAN:

The Church maintains a contributory retirement plan (the "Plan") under Section 403(b) of the internal revenue code, covering substantially all employees who meet eligibility requirements, as defined by the Plan. Under the terms of the Plan document, the Church will make matching contributions to the Plan up to 3% of the participant's compensation. Church contributions to the Plan totaled \$9,342 for the year ended December 31, 2018.

NOTE 13: RISKS AND UNCERTAINTIES:

Concentrations:

Contributions from a single donor were approximately 23% of the Church's total contributions for the year ended December 31, 2018.

Concentration of Credit Risk:

Financial instruments that potentially subject the Church to credit risk consist principally of cash and cash equivalents. The Church places its cash primarily with one financial institution. Deposits at this financial institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2018, cash balances in excess of FDIC limits totaled \$514,546.

NOTE 14: COMMITMENTS AND CONTINGENCIES:

The Church leases equipment under non-cancellable operating lease agreements. Future minimum lease payments at December 31, 2018 are as follows:

2019	\$	14,040
2020		14,040
2021		4,426
2022		3,552
2023		3,552
2024		296
		<hr/>
	\$	<u>39,906</u>

Rent expense under these lease arrangements for the year ended December 31, 2018 was \$13,557.