

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



December 31, 2020 and 2019

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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 statements of assets, liabilities and net assets – modified cash basis as of December 31, 2020 and 2019, 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 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 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 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 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, 2020 and 2019, and its support, revenue and expenses and cash flows for the years 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 7, 2021
Cape Girardeau, Missouri

LIVING WORD UNITED METHODIST CHURCH
Wildwood, Missouri

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

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS:		
Current Assets:		
Cash and Cash Equivalents:		
Cash on Hand	\$ 50	\$ 50
Cash Deposits with Financial Institutions	230,430	428,144
Cash Deposits with Brokerage Account	30,256	277,611
Cash Deposits in Foreign Bank Account	9,005	18,265
Cash on Prepaid Credit Cards	1,129	1,310
Total Cash and Cash Equivalents	\$ 270,870	\$ 725,380
Investments, at Fair Value	1,166,453	679,117
Endowment Fund, at Fair Value	23,630	20,881
Property and Equipment, Net	<u>7,827,397</u>	<u>8,059,627</u>
TOTAL ASSETS	\$ <u>9,288,350</u>	\$ <u>9,485,005</u>
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Current Portion of Long-Term Debt	\$ <u>176,458</u>	\$ <u>169,040</u>
Total Current Liabilities	\$ 176,458	\$ 169,040
Long-Term Debt	<u>2,982,387</u>	<u>3,158,839</u>
Total Liabilities	\$ <u>3,158,845</u>	\$ <u>3,327,879</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	\$ 5,321,968	\$ 5,238,282
Designated	<u>490,085</u>	<u>523,202</u>
Total Without Donor Restrictions	\$ <u>5,812,053</u>	\$ <u>5,761,484</u>
With Donor Restrictions:		
Purpose or Time Restrictions	\$ 311,852	\$ 390,042
Endowment	<u>5,600</u>	<u>5,600</u>
Total With Donor Restrictions	\$ <u>317,452</u>	\$ <u>395,642</u>
Total Net Assets	\$ <u>6,129,505</u>	\$ <u>6,157,126</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>9,288,350</u>	\$ <u>9,485,005</u>

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, 2020

	<u>Without Donor Restrictions</u>		<u>With Donor Restrictions</u>		
			<u>Purpose or Time</u>	<u>Endowment</u>	<u>Total</u>
SUPPORT AND REVENUE:					
Contributions	\$ 1,916,616	\$	172,949	\$ -	\$ 2,089,565
Program and Fundraising Revenue	125		4,943	-	5,068
Early Childhood Center	43,300		601	-	43,901
Miscellaneous Revenue	6,397		-	-	6,397
Investment Earnings (Loss)	128,689		-	-	128,689
	<u>\$ 2,095,127</u>	<u>\$</u>	<u>178,493</u>	<u>\$ -</u>	<u>\$ 2,273,620</u>
Net Assets Released from Restrictions	256,683		(256,683)	-	-
Total Support and Revenue	<u>\$ 2,351,810</u>	<u>\$</u>	<u>(78,190)</u>	<u>\$ -</u>	<u>\$ 2,273,620</u>
OPERATING EXPENSES:					
Program Services:					
Living Word Ministry	\$ 1,118,874	\$	-	\$ -	\$ 1,118,874
Missions	560,664		-	-	560,664
Early Childhood Center	164,620		-	-	164,620
Supportive Services:					
Management and General	160,101		-	-	160,101
Total Operating Expenses	<u>\$ 2,004,259</u>	<u>\$</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 2,004,259</u>
OTHER (INCOME) EXPENSES:					
Depreciation Expense	\$ 232,231	\$	-	\$ -	\$ 232,231
Nonoperational Capital Maintenance	185,513		-	-	185,513
Interest Expense	139,799		-	-	139,799
Paycheck Protection Program Forgiveness	(260,561)		-	-	(260,561)
Total Other (Income) Expenses	<u>\$ 296,982</u>	<u>\$</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 296,982</u>
Change in Net Assets	<u>\$ 50,569</u>	<u>\$</u>	<u>(78,190)</u>	<u>\$ -</u>	<u>\$ (27,621)</u>
Net Assets - Beginning of Year	<u>5,761,484</u>		<u>390,042</u>	<u>5,600</u>	<u>6,157,126</u>
Net Assets - End of Year	<u>\$ 5,812,053</u>	<u>\$</u>	<u>311,852</u>	<u>\$ 5,600</u>	<u>\$ 6,129,505</u>

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, 2019

	<u>Without Donor Restrictions</u>		<u>With Donor Restrictions</u>		
			<u>Purpose or Time</u>	<u>Endowment</u>	<u>Total</u>
SUPPORT AND REVENUE:					
Contributions	\$ 1,926,827	\$	207,483	\$ -	\$ 2,134,310
Program and Fundraising Revenue	13,031		4,483	-	17,514
Early Childhood Center	182,468		5,768	-	188,236
Miscellaneous Revenue	4,669		-	-	4,669
Investment Earnings (Loss)	121,648		-	-	121,648
	<u>\$ 2,248,643</u>	<u>\$</u>	<u>217,734</u>	<u>\$ -</u>	<u>\$ 2,466,377</u>
Net Assets Released from Restrictions	473,501		(473,501)	-	-
Total Support and Revenue	<u>\$ 2,722,144</u>	<u>\$</u>	<u>(255,767)</u>	<u>\$ -</u>	<u>\$ 2,466,377</u>
OPERATING EXPENSES:					
Program Services:					
Living Word Ministry	\$ 1,203,368	\$	-	\$ -	\$ 1,203,368
Missions	666,612		-	-	666,612
Early Childhood Center	224,563		-	-	224,563
Supportive Services:					
Management and General	159,736		-	-	159,736
Total Operating Expenses	<u>\$ 2,254,279</u>	<u>\$</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 2,254,279</u>
OTHER EXPENSES:					
Depreciation Expense	\$ 231,540	\$	-	\$ -	\$ 231,540
Interest Expense	126,733		-	-	126,733
Total Other Expenses	<u>\$ 358,273</u>	<u>\$</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 358,273</u>
Change in Net Assets	<u>\$ 109,592</u>	<u>\$</u>	<u>(255,767)</u>	<u>\$ -</u>	<u>\$ (146,175)</u>
Net Assets - Beginning of Year	<u>5,651,892</u>		<u>645,809</u>	<u>5,600</u>	<u>6,303,301</u>
Net Assets - End of Year	<u>\$ 5,761,484</u>	<u>\$</u>	<u>390,042</u>	<u>5,600</u>	<u>\$ 6,157,126</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, 2020

Program Services

	Living Word Ministries	Missions	Early Childhood Center	Sub-total	Management and General	Total
Direct Charged Expenses:						
Apportionments	\$ -	\$ 212,264	\$ -	\$ 212,264	\$ -	\$ 212,264
Program Supplies and Other Expenses	66,959	233,559	5,711	306,229	14,354	320,583
Salaries and Wages	-	14,336	103,181	117,517	-	117,517
Payroll Taxes	-	-	7,894	7,894	-	7,894
Professional Services	-	-	-	-	6,150	6,150
Allocated Expenses:						
Communications	21,161	2,821	2,821	26,803	1,411	28,214
Office Expenses	14,525	1,937	1,937	18,399	968	19,367
Postage	4,093	546	546	5,185	273	5,458
Technology Support	23,124	3,083	3,083	29,290	1,542	30,832
Multimedia Ministry	12,875	1,717	1,717	16,309	858	17,167
Insurance	21,678	2,890	2,890	27,458	1,445	28,903
Repairs and Maintenance	87,231	11,631	11,631	110,493	5,815	116,308
Utilities	52,836	7,045	7,045	66,926	3,522	70,448
Vehicle Expenses	3,380	451	451	4,282	225	4,507
Salaries and Wages	652,699	54,462	14,867	722,028	102,259	824,287
Payroll Taxes	35,969	2,881	846	39,696	5,744	45,440
Employee Benefits	122,344	11,041	-	133,385	15,535	148,920
Total Expenses	\$ 1,118,874	\$ 560,664	\$ 164,620	\$ 1,844,158	\$ 160,101	\$ 2,004,259

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, 2019

Program Services

	Living Word Ministries	Missions	Early Childhood Center	Sub-total	Management and General	Total
Direct Charged Expenses:						
Apportionments	\$ -	\$ 211,170	\$ -	\$ 211,170	\$ -	\$ 211,170
Program Supplies and Other Expenses	89,690	325,547	13,561	428,798	14,236	443,034
Salaries and Wages	-	8,300	154,469	162,769	-	162,769
Payroll Taxes	-	-	11,817	11,817	-	11,817
Professional Services	-	-	-	-	6,450	6,450
Allocated Expenses:						
Communications	24,866	3,315	3,315	31,496	1,658	33,154
Office Expenses	17,145	2,286	2,286	21,717	1,143	22,860
Postage	3,423	456	456	4,335	229	4,564
Technology Support	15,063	2,008	2,008	19,079	1,005	20,084
Multimedia Ministry	12,254	1,634	1,634	15,522	816	16,338
Insurance	20,919	2,789	2,789	26,497	1,395	27,892
Repairs and Maintenance	75,588	10,079	10,078	95,745	5,039	100,784
Utilities	57,990	7,733	7,732	73,455	3,866	77,321
Vehicle Expenses	2,834	378	378	3,590	188	3,778
Salaries and Wages	710,705	73,261	13,373	797,339	100,768	898,107
Payroll Taxes	34,466	3,469	667	38,602	4,966	43,568
Employee Benefits	138,425	14,187	-	152,612	17,977	170,589
Total Expenses	\$ 1,203,368	\$ 666,612	\$ 224,563	\$ 2,094,543	\$ 159,736	\$ 2,254,279

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

LIVING WORD UNITED METHODIST CHURCH
Wildwood, Missouri

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (27,621)	\$ (146,175)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used by) Operating Activities:		
Paycheck Protection Program Forgiveness	(260,561)	-
Depreciation Expense	232,231	231,540
Endowment (Gains)	(2,749)	(3,220)
Realized and Unrealized (Gains) on Investments	<u>(114,248)</u>	<u>(99,584)</u>
Net Cash (Used by) Operating Activities	\$ <u>(172,948)</u>	\$ <u>(17,439)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	\$ -	\$ (73,523)
Investment Purchases, Withdraws and Reinvestments, Net	<u>(373,088)</u>	<u>435,608</u>
Net Cash (Used by) Provided by Investing Activities	\$ <u>(373,088)</u>	\$ <u>362,085</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program	\$ 260,561	\$ -
Principal Payments on Long-Term Debt	<u>(169,035)</u>	<u>(177,399)</u>
Net Cash Provided by (Used by) Financing Activities	\$ <u>91,526</u>	\$ <u>(177,399)</u>
 Change in Cash and Cash Equivalents	\$ (454,510)	\$ 167,247
Cash and Cash Equivalents - Beginning of Year	<u>725,380</u>	<u>558,133</u>
Cash and Cash Equivalents - End of Year	\$ <u><u>270,870</u></u>	\$ <u><u>725,380</u></u>
 Supplemental Disclosure:		
Cash Paid for Interest Expense	\$ <u>139,799</u>	\$ <u>126,733</u>
Value of Donated Stock Received	\$ <u><u>114,803</u></u>	\$ <u><u>141,442</u></u>

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 YEARS ENDED DECEMBER 31, 2020 AND 2019

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 YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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 and Improvements	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 years ended December 31, 2020 or 2019.

LIVING WORD UNITED METHODIST CHURCH
Wildwood, Missouri

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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 years ended December 31, 2020 or 2019.

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 YEARS ENDED DECEMBER 31, 2020 AND 2019

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

ADVERTISING

The Church records advertising expenses as they are paid in accordance with the modified cash basis of accounting. Advertising expenses within the communication functional expense classification totaled \$13,373 and \$18,443 for the years ended December 31, 2020 and 2019, respectively.

INCOME TAXES

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

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.

The Church's operations have been and may continue to be affected by the outbreak of the coronavirus, which was declared a pandemic by the World Health Organization in March 2020. At this point, we cannot reasonably estimate the duration or severity of the pandemic, which could have a material adverse impact on the Church's financial position and cash flow.

SUBSEQUENT EVENTS

The Church has evaluated the existence of subsequent events through April 7, 2021, which represents the date the financial statements were available to be issued.

NOTE 2: RISKS AND UNCERTAINTIES:

Concentrations:

Contributions from a single donor were approximately 15% and 17%, respectively, of the Church's total contributions for the years ended December 31, 2020 and 2019.

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 operating cash primarily with one financial institution and maintains investments with another institution. Deposits at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2020 and 2019, cash balances in excess of FDIC limits totaled \$0 and \$214,760, respectively.

NOTE 3: 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 years ended December 31, 2020 and 2019 was \$212,264 and \$211,170, respectively.

The Church has an Endowment Fund with the Missouri United Methodist Foundation. Fair market value as of December 31, 2020 and 2019 was \$23,630 and \$20,881, respectively.

LIVING WORD UNITED METHODIST CHURCH
Wildwood, Missouri

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 4: 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, 2020 and 2019, the following financial assets could readily be available within one year of the statement of assets, liabilities, and net assets date for operational needs:

	2020	2019
Cash and Cash Equivalents	\$ 270,870	\$ 725,380
Investments, at Fair Value	1,166,453	679,117
Subtotal	\$ 1,437,323	\$ 1,404,497
Less:		
Designated Net Assets	(490,085)	(523,202)
Purpose or Time Restricted Net Assets	(311,852)	(390,042)
Financial Assets at Year End	\$ 635,386	\$ 491,253

The Church also has a line of credit available to meet short-term needs. Refer to Note 10 for information regarding this line of credit.

NOTE 5: 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 gives 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.

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FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 5: 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, 2020 and 2019:

	<u>Totals</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2020:				
Endowment Funds	\$ 23,630	\$ -	\$ 23,630	\$ -
Equities	200,211	200,211	-	-
Mutual Funds	<u>966,242</u>	<u>966,242</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 1,190,083</u>	<u>\$ 1,166,453</u>	<u>\$ 23,630</u>	<u>\$ -</u>
2019:				
Endowment Funds	\$ 20,881	\$ -	\$ 20,881	\$ -
Equities	166,506	166,506	-	-
Mutual Funds	<u>512,611</u>	<u>512,611</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 699,998</u>	<u>\$ 679,117</u>	<u>\$ 20,881</u>	<u>\$ -</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 6: INVESTMENTS:

A summary of the cost and fair value of investments held by the Church as of December 31, 2020 and 2019 is as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equities	\$ 164,699	\$ 200,211	\$ 146,563	\$ 166,506
Mutual Funds	<u>830,371</u>	<u>966,242</u>	<u>476,394</u>	<u>512,611</u>
Totals	<u>\$ 995,070</u>	<u>\$ 1,166,453</u>	<u>\$ 622,957</u>	<u>\$ 679,117</u>

Net investment income (loss) for the years ended December 31, 2020 and 2019 is comprised of the following:

	<u>2020</u>	<u>2019</u>
Interest and Dividend Income	\$ 22,933	\$ 27,918
Net Realized and Unrealized Gains	112,024	99,584
Investment Fees	<u>(9,017)</u>	<u>(9,074)</u>
Totals	<u>\$ 125,940</u>	<u>\$ 118,428</u>

NOTE 7: 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 and investment policies of the Church.

Endowment funds and activity as of and for the years ended December 31, 2020 and 2019 is as follows:

	Without Restriction	Permanent	Totals
Balance, December 31, 2018	\$ 12,061	\$ 5,600	\$ 17,661
Net Investment Income	<u>3,220</u>	<u>-</u>	<u>3,220</u>
Balance, December 31, 2019	\$ 15,281	\$ 5,600	\$ 20,881
Net Investment Income	<u>2,749</u>	<u>-</u>	<u>2,749</u>
Balance, December 31, 2020	<u>\$ 23,630</u>	<u>\$ 5,600</u>	<u>\$ 23,630</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 8: PROPERTY AND EQUIPMENT:

Property and equipment at December 31, 2020 and 2019 consists of the following:

	2020	2019
Land	\$ 2,500,000	\$ 2,500,000
Building and Improvements	8,266,606	8,266,606
Furniture and Equipment	250,384	250,384
Vehicles	68,962	68,962
Property and Equipment – at Cost	\$ 11,085,952	\$ 11,085,952
Less: Accumulated Depreciation	(3,258,555)	(3,026,325)
Property and Equipment, Net	\$ 7,827,397	\$ 8,059,627

Depreciation expense for the years ended December 31, 2020 and 2019 totaled \$232,231 and \$231,540, respectively.

NOTE 9: LONG-TERM DEBT:

The Church has a note payable originally dated June 19, 2014, secured by a deed of trust on the property at 17315 Manchester Road, that was modified on June 19, 2019 and now carries a fixed interest rate of 4.30%. Monthly principal and interest payments of \$25,736 are required for sixty (60) months with all remaining outstanding principal due on June 19, 2024. Interest expense paid during the years ended December 31, 2020 and 2019 was \$139,799 and \$126,733, respectively. The long-term debt balance and activity for the years ended December 31, 2020 and 2019 was as follows:

	2020	2019
Balance, Beginning of Year	\$ 3,327,879	\$ 3,505,278
Principal Payments	(169,034)	(177,399)
Balance, End of Year	\$ 3,158,845	\$ 3,327,879

Maturities of long-term debt as of December 31, 2020 are as follows:

2021	\$ 176,458
2022	184,197
2023	192,276
2024	2,605,914
	\$ 3,158,845

NOTE 10: LINE OF CREDIT:

The Church has a line of credit agreement for \$350,000, scheduled to expire on July 1, 2021. Interest is payable on the outstanding balance at the prime rate 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, 2020 and 2019. As of December 31, 2020 and 2019, there were no borrowings outstanding under this line of credit. The Church did not incur any interest expense during the years ended December 31, 2020 or 2019.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 11: COMMITMENTS AND CONTINGENCIES:

The Church leases equipment under non-cancellable operating lease agreements. The Church also entered into a long-term contractual agreement for internet services and facility maintenance programs. Future minimum payments for these agreements at December 31, 2020 are as follows:

2021	\$	19,054
2022		18,799
2023		12,666
2024		296
	\$	50,815

Expenses under these arrangements for the years ended December 31, 2020 and 2019 was \$28,075 and \$14,040, respectively.

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 \$7,959 and \$9,483, respectively, for the years ended December 31, 2020 and 2019.

NOTE 13: DESIGNATED NET ASSETS:

The Church's Leadership Team has designated net assets without donor restrictions for reserve and strategic planning purposes. The activity in these designated net assets for the years ended December 31, 2020 and 2019 was as follows:

	<u>Beginning</u>		<u>Additions</u>		<u>Used</u>		<u>Transfers</u>		<u>Ending</u>
2020:									
Investment in Growth	\$ 25,223	\$ -	\$ (21,852)	\$ -	\$ -	\$ -	\$ 3,371		\$ 3,371
Strategic Planning	398,396	-	(185,513)	60,000	-	-	272,883		272,883
Market Performance	99,583	114,248	-	-	-	-	213,831		213,831
Total	\$ 523,202	\$ 114,248	\$ (207,365)	\$ 60,000	\$ -	\$ -	\$ 490,085		\$ 490,085
2019:									
Investment in Growth	\$ 83,427	\$ -	\$ (58,204)	\$ -	\$ -	\$ -	\$ 25,223		\$ 25,223
Strategic Planning	360,106	-	(21,710)	60,000	-	-	398,396		398,396
Market Performance	-	99,583	-	-	-	-	99,583		99,583
Total	\$ 443,533	\$ 99,583	\$ (79,914)	\$ 60,000	\$ -	\$ -	\$ 523,202		\$ 523,202

During the year ended December 31, 2019, the Church's Leadership Team established two (2) new designations, a Market Performance designation and a Carryover designation. The Market Performance designation accounts for all investment growth outside of the reinvested dividends and interest, being realized and unrealized gains and losses. The Carryover designation accounts for any annual excess revenue after funding the Strategic Planning designation.

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FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 14: NET ASSETS WITH DONOR RESTRICTIONS:

The Church maintains specific accounts for funds received with donor provided restrictions. The activity for the years ended December 31, 2020 and 2019 and the remaining balance as of December 31, 2020 and 2019 for all accounts with donor provided restrictions are as follows:

	2020				
	<u>Beginning</u>	<u>Additions</u>	<u>Used</u>	<u>Transfers</u>	<u>Ending</u>
A Room at the Inn	\$ 4,796	\$ 850	\$ (950)	\$ -	\$ 4,696
Agape House	250	-	-	-	250
Backpack Attack	-	250	-	3,392	3,642
Circle of Concern	-	20	-	-	20
Discipleship Classes	619	491	(900)	-	210
ECC Share Fund	2,970	-	-	-	2,970
Epworth	-	-	-	-	-
Pastor's Discretionary Fund	11,642	576	(2,263)	-	9,955
Future Year Pledges	13,000	40,400	-	(9,000)	44,400
FBI Tour	271	-	-	-	271
Fellowship SS Class	1,152	26	-	-	1,178
Free the Girls	133	3	(136)	-	-
Bridges	1,212	-	(1,212)	-	-
Ghana Mission	130,755	1,250	(115,678)	43,521	59,848
Ghana Mission Trip	4,899	65	(6,314)	1,350	-
Ghana Pastor Discretionary	15,000	-	-	(1,350)	13,650
Ghana Long-Term Maintenance	10,000	-	-	-	10,000
Men's Ministry	-	3,675	(3,650)	-	25
Mexico Mission	3,892	-	(6,800)	10,000	7,092
Mission Trips - Adults	-	-	-	-	-
Miracle Offering	165,521	124,235	(78,000)	(87,521)	124,235
Room Rental Deposits	950	50	-	-	1,000
Quilters	2,496	725	(586)	-	2,635
Slovakia	3,506	-	-	-	3,506
Meramec School	(270)	5,275	(34,108)	34,000	4,897
Youth Mission Trip	-	-	-	-	-
ECC Program Enhancements	17,248	602	(478)	-	17,372
Total	<u>\$ 390,042</u>	<u>\$ 178,493</u>	<u>\$ (251,075)</u>	<u>\$ (5,608)</u>	<u>\$ 311,852</u>

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FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 14: NET ASSETS WITH DONOR RESTRICTIONS: (Continued)

	2019				
	<u>Beginning</u>	<u>Additions</u>	<u>Used</u>	<u>Transfers</u>	<u>Ending</u>
A Room at the Inn	\$ 4,834	\$ -	\$ (24,538)	\$ 24,500	\$ 4,796
Agape House	-	250	(24,500)	24,500	250
Circle of Concern	-	-	(24,500)	24,500	-
Discipleship Classes	477	967	(825)	-	619
ECC Share Fund	3,192	-	-	(222)	2,970
Epworth	5,000	-	(5,000)	-	-
Pastor's Discretionary Fund	12,740	2,200	(2,967)	(331)	11,642
Future Year Pledges	162,000	5,000	-	(154,000)	13,000
FBI Tour	592	-	(321)	-	271
Fellowship SS Class	726	426	-	-	1,152
Free the Girls	38	200	(105)	-	133
Bridges	1,212	-	-	-	1,212
Ghana Mission	268,091	6,646	(148,982)	5,000	130,755
Ghana Mission Trip	-	16,963	(15,864)	3,800	4,899
Ghana Pastor Discretionary	15,000	-	-	-	15,000
Ghana Long-Term Maintenance	10,000	-	-	-	10,000
Haven House	3,650	-	(24,500)	20,850	-
Mexico Mission	-	6,913	(11,791)	8,770	3,892
Mission Trips - Adults	-	450	750	(1,200)	-
Miracle Offering	130,319	165,221	(500)	(129,519)	165,521
Room Rental Deposits	1,250	850	(1,150)	-	950
Quilters	3,017	1,080	(801)	(800)	2,496
Slovakia	7,106	-	(3,600)	-	3,506
Meramec School	-	4,800	(29,570)	24,500	(270)
Youth Mission Trip	817	-	-	(817)	-
ECC Program Enhancements	15,748	5,768	(4,268)	-	17,248
Total	<u>\$ 645,809</u>	<u>\$ 217,734</u>	<u>\$ (323,032)</u>	<u>\$ (150,469)</u>	<u>\$ 390,042</u>

NOTE 15: PAYCHECK PROTECTION PROGRAM

Due to the Covid-19 pandemic, the government enacted the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The Paycheck Protection Program (PPP) was established in the CARES Act. The Church received \$260,561 in PPP funds. The government considers the funds a loan which will be forgiven as long as the funds are spent on eligible expenses within the designated 24-week period. The forgiveness could be reduced if the Church terminated employees or reduced salaries.

Prior to December 31, 2020, the Church received notification that the full amount of the PPP funding was forgiven.