

Central Wesleyan
of Holland



Years Ended
May 31,
2020 and 2019

Consolidated
Financial
Statements and
Supplementary
Information

CENTRAL WESLEYAN OF HOLLAND

Table of Contents

| | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report | 1 |
| Consolidated Financial Statements for the Years Ended May 31, 2020 and 2019 | |
| Consolidated Statements of Financial Position | 3 |
| Consolidated Statements of Activities | 4 |
| Consolidated Statements of Cash Flows | 6 |
| Consolidated Notes to Financial Statements | 7 |
| Supplementary Information | |
| Independent Auditors' Report on Supplementary Information | 23 |
| Comparison of Actual and Budgeted Income and Expenses for the General Fund | 24 |
| Combining Schedule of Financial Position by Fund - May 31, 2020 | 26 |
| Combining Schedule of Activities by Fund - For the Year Ended May 31, 2020 | 28 |
| Combining Schedule of Financial Position by Fund - May 31, 2019 | 30 |
| Combining Schedule of Activities by Fund - For the Year Ended May 31, 2019 | 32 |

INDEPENDENT AUDITORS' REPORT

July 15, 2020

Finance Committee
Central Wesleyan of Holland
Holland, Michigan

We have audited the accompanying consolidated statements of financial position of the *Central Wesleyan of Holland*, (the "Church") (a Michigan not-for-profit organization), as of May 31, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related consolidated notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on auditor judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Church's preparation and fair presentation of the consolidated 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 Church'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Central Wesleyan of Holland, as of May 31, 2020 and 2019, 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.

Change in Accounting Principle

As described in Note 1 to the consolidated financial statements, in 2019 the Organization adopted Accounting Standards Update ASU No. 2018-08, *Not-for-profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Rehmann Johnson LLC

CENTRAL WESLEYAN OF HOLLAND

Consolidated Statements of Financial Position

| | May 31 | |
|---|----------------------|----------------------|
| | 2020 | 2019 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 530,109 | \$ 203,498 |
| Investments | 2,232,230 | 1,774,551 |
| Pledges receivable | 634,898 | 984 |
| Prepaid expenses and other assets | 450,600 | 163,348 |
| Total current assets | <u>3,847,837</u> | <u>2,142,381</u> |
| Pledges receivable, net of current portion | 586,901 | - |
| Beneficial interest in charitable remainder annuity trust | 9,000 | 9,000 |
| Property and equipment, net | <u>32,117,889</u> | <u>29,013,562</u> |
| Total assets | <u>\$ 36,561,627</u> | <u>\$ 31,164,943</u> |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 81,072 | \$ 96,221 |
| Accrued compensation | 210,090 | 166,796 |
| Deferred revenue | - | 20,000 |
| Note payable, current portion | - | 660,147 |
| Total current liabilities | <u>291,162</u> | <u>943,164</u> |
| Noncurrent liabilities: | | |
| Note payable, net of current portion | <u>5,500,000</u> | <u>2,339,853</u> |
| Total liabilities | <u>5,791,162</u> | <u>3,283,017</u> |
| Net assets | | |
| Without donor restrictions: | | |
| Undesignated | 150,100 | - |
| Designated | 1,397,225 | 346,872 |
| Net investment in property and equipment | <u>26,617,889</u> | <u>26,013,562</u> |
| Total without donor restrictions | <u>28,165,214</u> | <u>26,360,434</u> |
| With donor restrictions | <u>2,605,251</u> | <u>1,521,492</u> |
| Total net assets | <u>30,770,465</u> | <u>27,881,926</u> |
| Total liabilities and net assets | <u>\$ 36,561,627</u> | <u>\$ 31,164,943</u> |

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

CENTRAL WESLEYAN OF HOLLAND

Consolidated Statement of Activities

For the Year Ended May 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------------|
| Support and revenues | | | |
| Contributions | \$ 6,975,057 | \$ 3,242,125 | \$ 10,217,182 |
| Paycheck Protection Program | 696,700 | - | 696,700 |
| Program fees | 266,511 | - | 266,511 |
| Net investment return | 89,471 | - | 89,471 |
| Excess of assets acquired over liabilities assumed in acquisition of Captivate Church | 588,858 | - | 588,858 |
| Gain on sale of property and equipment | 1,000 | - | 1,000 |
| Total support and revenues | 8,617,597 | 3,242,125 | 11,859,722 |
| Net assets released from restrictions | 2,158,366 | (2,158,366) | - |
| Total support, revenues and net assets released from restrictions | 10,775,963 | 1,083,759 | 11,859,722 |
| Expenses | | | |
| Personnel and benefits | 4,176,408 | - | 4,176,408 |
| Leadership and training | 99,436 | - | 99,436 |
| Administration | 414,801 | - | 414,801 |
| Worship Arts | 389,269 | - | 389,269 |
| Discipleship and spiritual formation | 274,128 | - | 274,128 |
| Facilities | 1,059,866 | - | 1,059,866 |
| Buildings | 1,324,440 | - | 1,324,440 |
| United Stewardship fund | 123,750 | - | 123,750 |
| Missions | 618,862 | - | 618,862 |
| Next Gen | 490,223 | - | 490,223 |
| Total expenses | 8,971,183 | - | 8,971,183 |
| Change in net assets | 1,804,780 | 1,083,759 | 2,888,539 |
| Net assets, beginning of year | 26,360,434 | 1,521,492 | 27,881,926 |
| Net assets, end of year | \$ 28,165,214 | \$ 2,605,251 | \$ 30,770,465 |

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

CENTRAL WESLEYAN OF HOLLAND

Consolidated Statement of Activities

For the Year Ended May 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------------|
| Support and revenues | | | |
| Contributions | \$ 6,036,137 | \$ 2,627,984 | \$ 8,664,121 |
| Program fees | 279,522 | - | 279,522 |
| Net investment return | 60,139 | - | 60,139 |
| Excess of assets acquired over liabilities assumed in acquisition of Overflow Church | 167,539 | - | 167,539 |
| Gain on sale of property and equipment | 71,936 | - | 71,936 |
| Change in fair value of time restricted beneficial interest in charitable remainder annuity trust | - | 3,000 | 3,000 |
| Total support and revenues | 6,615,273 | 2,630,984 | 9,246,257 |
| Net assets released from restrictions | 2,324,922 | (2,324,922) | - |
| Total support, revenues and net assets released from restrictions | 8,940,195 | 306,062 | 9,246,257 |
| Expenses | | | |
| Personnel and benefits | 3,707,243 | - | 3,707,243 |
| Leadership and training | 131,088 | - | 131,088 |
| Administration | 548,516 | - | 548,516 |
| Worship Arts | 439,456 | - | 439,456 |
| Discipleship and spiritual formation | 173,452 | - | 173,452 |
| Facilities | 1,064,616 | - | 1,064,616 |
| Buildings | 1,303,804 | - | 1,303,804 |
| United Stewardship fund | 135,000 | - | 135,000 |
| Missions | 456,696 | - | 456,696 |
| Next Gen | 770,532 | - | 770,532 |
| Total expenses | 8,730,403 | - | 8,730,403 |
| Change in net assets | 209,792 | 306,062 | 515,854 |
| Net assets, beginning of year | 26,150,642 | 1,215,430 | 27,366,072 |
| Net assets, end of year | \$ 26,360,434 | \$ 1,521,492 | \$ 27,881,926 |

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

CENTRAL WESLEYAN OF HOLLAND

Consolidated Statements of Cash Flows

| | Year Ended May 31 | |
|--|--------------------|--------------------|
| | 2020 | 2019 |
| Cash flows from operating activities | | |
| Change in net assets | \$ 2,888,539 | \$ 515,854 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Change in value of beneficial interest in charitable remainder annuity trust | - | (3,000) |
| Depreciation | 1,523,789 | 1,511,454 |
| Reinvested income on investments | (24,740) | (7,449) |
| Realized gain on investments | (4,942) | (9,228) |
| Unrealized (gain) loss on investments | (31,034) | 6,484 |
| Gain on sale of property and equipment | (1,000) | (71,936) |
| Excess of assets acquired over liabilities assumed in acquisition of churches | (588,858) | (167,539) |
| Changes in: | | |
| Pledges receivable related to capital campaign: | | |
| Changes in allowance for uncollectible | - | (812,100) |
| Changes in present value | 45,931 | - |
| Changes in pledges receivable | (1,266,746) | 1,187,328 |
| Prepaid expenses and other assets | (287,252) | (5,029) |
| Accounts payable and accrued expenses | (15,149) | (21,817) |
| Accrued compensation | 43,294 | (19,442) |
| Deferred revenue | (20,000) | 20,000 |
| Net cash provided by operating activities | <u>2,261,832</u> | <u>2,123,580</u> |
| Cash flows from investing activities | | |
| Purchases and construction of property and equipment | (4,628,116) | (233,354) |
| Proceeds on sale of property and equipment | 1,000 | 186,784 |
| Cash obtained from church acquisition | 600,891 | 59,827 |
| Payments of payables as part of church acquisition | (12,033) | (433,061) |
| Purchases of investments | (1,232,636) | (926,748) |
| Proceeds from sales of investments | 835,673 | 903,471 |
| Net cash used in investing activities | <u>(4,435,221)</u> | <u>(443,081)</u> |
| Cash flows from financing activities | | |
| Proceeds from note payable | 3,950,000 | - |
| Payments of note payable | (1,450,000) | (1,550,000) |
| Net cash provided by (used in) financing activities | <u>2,500,000</u> | <u>(1,550,000)</u> |
| Net increase in cash and cash equivalents | 326,611 | 130,499 |
| Cash and cash equivalents, beginning of year | <u>203,498</u> | <u>72,999</u> |
| Cash and cash equivalents, end of year | <u>\$ 530,109</u> | <u>\$ 203,498</u> |

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

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying consolidated financial statements present the consolidated financial position, results of operations and cash flows of Central Wesleyan of Holland, a Michigan not-for profit corporation, and its subsidiary (described below, collectively the "Church").

Central Wesleyan of Holland is a local body of believers and is part of the world-wide Wesleyan Church denomination. The Church averaged 5,473 and 5,265 individuals in morning worship attendance during the years ended May 31, 2020 and 2019, respectively. During both 2020 and 2019, approximately \$10.2 million and \$8.7 million, respectively, was received in contributions by the Church for it to carry on its mission of reaching Holland and beyond with the Gospel of Jesus Christ.

The Church employs a full-time equivalent staff of 57. In addition to paid staff positions, the ministries of the Church use volunteers in more than 1,900 ministry positions.

The primary ministries of the Church are public worship services, graded Christian education classes, after school programs for under-privileged children, missions in Holland and around the world, and a wide range of programs for special needs such as financial counseling and divorce recovery.

The Church has approximately 254,500 square feet of buildings set on 113 acres of land on the south side of Holland, Michigan. The Church is considered a regional church and has a wide influence beyond the City of Holland. Additionally, the Church has three satellite locations, The Local Church in the Grand Rapids, Michigan area, Overflow Church in the Benton Harbor, Michigan area, and Captivate Church in the San Diego, California area.

Water's Edge West (doing business as "Captivate Church") is a wholly-owned subsidiary of Central Wesleyan of Holland. The articles of incorporation for Water's Edge West identify this connection. The discipline of the Wesleyan Church makes provision for subsidiary corporations and that is the authority used to form this corporation. The consolidated financial statements of the Central Wesleyan of Holland include the results of operations of Captivate Church. All intercompany accounts have been eliminated.

The Church's revenues consist primarily of contributions from members.

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

Risks and Economic Uncertainties

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. Many State Governors issued temporary Executive Orders that, among other stipulations, effectively prohibit in person work activities for most businesses and industries including nonprofit entities, having the effect of suspending or severely curtailing operations. As a result, the COVID-19 outbreak is disrupting and affecting the Church's normal activities. The extent of the ultimate impact of the pandemic on the Church's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on funders, program recipients, employees, vendors, and other constituents, all of which cannot be reasonably predicted at this time. In addition, the current environment may place additional demands on the Church for providing immediate financial support and/or services to its program recipients. While management reasonably expects the COVID-19 outbreak to negatively impact the Church's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

In April 2020 the Church received \$696,700 in loans under the Paycheck Protection Program ("PPP") of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was enacted into law on March 28, 2020. The loan has a two year maturity and is subject to a 1.0% interest rate. As of May 31, 2020, substantially all of the loan proceeds had been spent on eligible expenses and the loans are expected to be fully forgiven in accordance with the CARES Act. As such, the Church has recognized the full amount as revenue on the consolidated statements of activities.

The significant accounting policies of the Church are described below.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the year. Actual results could differ from those estimates. Significant estimates include, but are not limited to the useful lives of depreciable assets, value of assets acquired in acquisition and the fair value of investments.

Basis of Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand, and money market accounts. The Church maintains demand deposits in banks that are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. At times during 2020 and 2019, the Church's bank balance on these accounts may have exceeded the insured limit. Management believes the Church is not exposed to any significant interest rate or other risk on these deposits.

Investments

Investments held by the Church consist of bond mutual funds and money market funds. These investments are presented as current as management considers them to be part of normal cash management activities. Such investments are carried at fair value, based on quoted market prices. Investments received as donations are initially recorded at fair value on the date of receipt. Realized gains and losses on the sale of investments are determined based on the first-in, first-out method. Unrealized gains and losses are the result of changes in market value of investments and are included in investment income. Net investment return is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the fair values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in these consolidated financial statements.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (level 1) and the lowest priority to unobservable data, such as the reporting entity's own data (level 3).

For a further discussion of Fair Value Measurements, refer to Note 2. Additionally, see Note 13 for discussion of fair value assessments used in conjunction with the acquisition of Captivate Church.

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk adjusted interest rates applicable to the years in which the promises were made. Amortization of the discount is included in contribution revenues in the consolidated statements of activities. Pledges receivable is stated at the amount management expects to collect from outstanding pledges at year-end. Management's estimate of the allowance for uncollectible pledges is based on historical collections from prior pledge campaigns. Management has deemed no allowance necessary on pledge receivables as of May 31, 2020 and 2019.

Beneficial Interest in Charitable Remainder Annuity Trust

The Church is the sole beneficiary of a charitable gift annuity contract that was established between a donor and The Wesleyan Church Corporation. Accordingly, the Church has recognized contribution revenue and a receivable from The Wesleyan Church Corporation equal to the present value of the estimated future distribution expected to be received when the agreement expires, which occurs at the death of the donor. The discount rate used to calculate the present value of the annuity contract was 5.4%, with actuarial assumptions based on published life expectancy tables adopted by the Internal Revenue Service. The carrying value of the agreement is reported as a time restricted component of net assets with donor restrictions.

Property and Equipment and Depreciation

Property and equipment are stated at cost or, in the case of donations, estimated fair value. Property and equipment items are capitalized at cost when paid for all new assets over \$10,000 and \$50,000 for repair or renovations to an existing asset. Management annually reviews these assets for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 40 years.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions are recognized as support in the period the unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and right of return - are not recognized until the conditions on which they depend on have been met. Contributions of assets other than cash are recognized at their estimated fair value. There were no conditional promises to give at May 31, 2020 and 2019. When a restriction has been satisfied or expires, with donor restrictions net assets are reclassified to net assets without donor restrictions. Amounts not expected to be collected within one year are classified as long-term.

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

Income Taxes

The Church is a not-for-profit organization, exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and is exempt from similar state and local taxes. Accordingly, no provision has been made for income taxes in the accompanying consolidated financial statements. Although the Church was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to “unrelated business taxable income.”

The Church analyzes its filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions to identify potential uncertain tax positions.

The Church has evaluated its income tax filing positions for fiscal years 2016 through 2019, the years which remain subject to examination as of May 31, 2020. The Church concluded that there are no significant uncertain tax positions requiring recognition in the Church’s consolidated financial statements. The Church does not expect the total amount of unrecognized tax benefits (“UTB”) (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Church does not have any amounts accrued for interest and penalties related to UTBs at May 31, 2020 or 2019, and is not aware of any claims for such amounts by federal or state income tax authorities.

Reclassifications

Certain amounts in the May 31, 2019 consolidated financial statements have been reclassified to conform with the May 31, 2020 presentation.

Subsequent Events

In preparing these consolidated financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to May 31, 2020, the most recent consolidated statement of financial position presented herein, through July 15, 2020, the date these consolidated financial statements were available to be issued. No significant such events or transactions were identified, other than the economic uncertainties matter and financing described above.

Change in Accounting Principle

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in June 2018. The amendments in ASU No. 2018-08 provide additional guidance for entities to use to evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or exchange (reciprocal) transactions and to determine whether the transaction is conditional. On June 1, 2019, the Church adopted the standard on its contributions received using the modified prospective basis and elected to apply the standard only to agreements that were not completed as of that date. There was no impact to the timing or amount of revenue recognized as a result of this adoption.

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Church utilizes fair value measurements to record fair value adjustments to certain of its assets, and to determine fair value disclosures. These assets are recorded at fair value on a recurring basis.

The Church groups its assets at fair value into three levels (termed the fair value hierarchy), based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets, and money market funds. The Church considers its marketable investment securities to be Level 1 assets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. The Church holds no assets classified as Level 2.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. The Church considers Investments held in Wesleyan Investment Foundation and the beneficial interest in charitable remainder annuity trust to be classified as Level 3 assets.

The preceding methods described may produce a fair value calculation that may not be reflective of future fair values. Furthermore, although the Church believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Church's assets measured at fair value on a recurring basis as of May 31:

| 2020 | Total | Level 1 | Level 2 | Level 3 |
|---|---------------------|-------------------|-------------|---------------------|
| Bond mutual funds | \$ 879,564 | \$ 879,564 | \$ - | \$ - |
| Money market funds | 2,201 | 2,201 | - | - |
| Investment in Wesleyan Investment Foundation | 1,350,465 | - | - | 1,350,465 |
| Total investments | 2,232,230 | 881,765 | - | 1,350,465 |
| Beneficial interest in charitable remainder annuity trust | 9,000 | - | - | 9,000 |
| Total assets at fair market value | \$ 2,241,230 | \$ 881,765 | \$ - | \$ 1,359,465 |

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

| 2019 | Total | Level 1 | Level 2 | Level 3 |
|---|---------------------|-------------------|-------------|-------------------|
| Bond mutual funds | \$ 818,851 | \$ 818,851 | \$ - | \$ - |
| Money market funds | 5,235 | 5,235 | - | - |
| Investment in Wesleyan Investment Foundation | 950,465 | - | - | 950,465 |
| Total investments | 1,774,551 | 824,086 | - | 950,465 |
| Beneficial interest in charitable remainder annuity trust | 9,000 | - | - | 9,000 |
| Total assets at fair market value | \$ 1,783,551 | \$ 824,086 | \$ - | \$ 959,465 |

The Church owns shares in the Wesleyan Investment Foundation; fair value was classified as Level 3 at May 31, 2020 and 2019. The total fair value of these funds is the sum of the fair values of the underlying securities held by the Foundation. The Church is allocated its portion of the total fair value of the funds based on its proportionate shares to the total shares, which may vary. The activity for the years ended May 31, of the Level 3 investment in Wesleyan Investment Foundation assets were:

| | 2020 | 2019 |
|--|---------------------|-------------------|
| Beginning balance | \$ 950,465 | \$ 950,000 |
| Deposits | 1,200,000 | 850,000 |
| Withdrawals | (816,265) | (862,089) |
| Investment income/change in fair value | 16,265 | 12,554 |
| Total | \$ 1,350,465 | \$ 950,465 |

Fair value measurement of the beneficial interest in the charitable remainder annuity trust is determined by the underlying investments in the trust, the present value of the future payments to the donor, and any changes in actuarial assumptions. The activity for the years ended May 31, of the Level 3 beneficial interest in charitable remainder annuity trust assets were:

| | 2020 | 2019 |
|----------------------|-----------------|-----------------|
| Beginning balance | \$ 9,000 | \$ 6,000 |
| Change in fair value | - | 3,000 |
| Total | \$ 9,000 | \$ 9,000 |

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

3. PLEDGES RECEIVABLE

For consolidated financial statement reporting purposes, promises to give related to a capital campaign are reported as pledges receivable in the consolidated statements of financial position and are recognized as with donor restriction contributions in the consolidated statements of activities. Promises to give are discounted (when material) and recorded as pledges receivable. Pledge receivables are summarized as follows for May 31:

| | 2020 | 2019 |
|---|---------------------|---------------|
| Receivables in less than one year | \$ 634,898 | \$ 984 |
| Receivables in two years | 632,832 | - |
| Total pledges receivable | <u>1,267,730</u> | <u>984</u> |
| Less: discount to present value at 2.5% | <u>(45,931)</u> | <u>-</u> |
| Pledges receivable, net | <u>\$ 1,221,799</u> | <u>\$ 984</u> |

4. PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at May 31:

| | 2020 | 2019 |
|-------------------------------|----------------------|----------------------|
| Land | \$ 2,489,641 | \$ 1,489,641 |
| Buildings | 51,387,494 | 47,769,796 |
| Furniture and equipment | 1,520,325 | 1,520,325 |
| Vehicles | 181,101 | 171,086 |
| Construction in progress | <u>403</u> | <u>-</u> |
| Total | 55,578,964 | 50,950,848 |
| Less accumulated depreciation | <u>(23,461,075)</u> | <u>(21,937,286)</u> |
| Property and equipment, net | <u>\$ 32,117,889</u> | <u>\$ 29,013,562</u> |

Depreciation expense amounted to \$1,523,789 and \$1,511,454 during 2020 and 2019, respectively.

5. NOTE PAYABLE

On August 28, 2019, the Church signed a \$6,300,000 promissory note with interest of 3.49%. The outstanding principal balance is payable in annual installments of \$630,000 plus accrued interest for five years with the final balloon payment due August 25, 2026. The August 25, 2021 payment was advanced paid, as such no amount is due until August 25, 2022. Proceeds from the loan were used for the purchase and renovations of a building in San Diego, California and to refinance existing debt. The promissory note is collateralized by a Real Estate Mortgage dated March 14, 2016. During the years ended May 31, 2020 and 2019, the Church paid \$170,771 and \$206,114 in interest expense, respectively.

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

Scheduled annual principal payments for the note payable, are as follows:

| Year Ended May 31, | Principal |
|-----------------------|---------------------|
| 2021 | \$ - |
| 2022 | - |
| 2023 | 630,000 |
| 2024 | 630,000 |
| 2025 | 630,000 |
| Thereafter | <u>3,610,000</u> |
| | <u>\$ 5,500,000</u> |

6. RELATED PARTY TRANSACTIONS

Related party transactions consist of the following for the years ended May 31:

| | 2020 | 2019 |
|--|------------|------------|
| Cash paid to the Wesleyan Church denomination and its subsidiaries: | | |
| The Great Lakes District, the Wesleyan Denomination, and the Wesleyan Educational Institutions | \$ 173,750 | \$ 222,661 |
| Global Partners | 6,414 | 45,868 |
| District church planting and support | 34,892 | 104,246 |
| Investment management fees paid to firm by which member of finance committee is employed | 4,301 | 4,093 |
| Support payments made to non-profits affiliated with an Elder, Deacon, or staff | 17,200 | 129,737 |
| Attorney fees paid to firm by which member of finance committee is employed | 5,069 | 2,357 |

7. RETIREMENT PLAN

The Church participates in a multiple employer plan qualified under Section 403(b) of the Internal Revenue Code, sponsored by the Wesleyan Church. Pastors and certain staff members are eligible to participate in the plan. Under this plan, the Church makes contributions to the plan for pastors and directors based on 12% of their respective salaries. For staff members who are not pastors or directors, the Church will match employee contributions up to the equivalent of 4% of their respective salaries. Contribution expense recorded for the years ended May 31, 2020 and 2019, was \$211,828 and \$212,306, respectively.

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

8. ALLOCATION OF EXPENSES

The cost of providing the various program services and supporting activities has been presented on a natural and departmental basis in the consolidated statements of activities. Expenses are generally charged to functional departments as incurred for the various activities except for the facility operating costs, which have been allocated based on functional utilization.

The following is a schedule of expenses by nature and function for the year ended May 31, 2020:

| | Program services | Supporting services | Fundraising | Total |
|--------------------------------------|---------------------|---------------------------|------------------|---------------------|
| | Church ministry | Management and facilities | | |
| Personnel and benefits | \$ 3,973,401 | \$ 203,007 | \$ - | \$ 4,176,408 |
| Buildings and facilities | - | 2,384,306 | - | 2,384,306 |
| Outreach services | 490,223 | - | - | 490,223 |
| Missions | 618,862 | - | - | 618,862 |
| Administration | 285,267 | 109,623 | 19,911 | 414,801 |
| Worship Arts | 389,269 | - | - | 389,269 |
| Discipleship and spiritual formation | 274,128 | - | - | 274,128 |
| United Stewardship fund | 123,750 | - | - | 123,750 |
| Leadership and training | 99,436 | - | - | 99,436 |
| Total expenses | \$ 6,254,336 | \$ 2,696,936 | \$ 19,911 | \$ 8,971,183 |

The following is a schedule of expenses by nature and function for the year ended May 31, 2019:

| | Program services | Supporting services | Fundraising | Total |
|--------------------------------------|---------------------|---------------------------|-----------------|---------------------|
| | Church ministry | Management and facilities | | |
| Personnel and benefits | \$ 3,494,805 | \$ 212,438 | \$ - | \$ 3,707,243 |
| Buildings and facilities | - | 2,368,420 | - | 2,368,420 |
| Outreach services | 770,532 | - | - | 770,532 |
| Missions | 456,696 | - | - | 456,696 |
| Administration | 397,787 | 146,878 | 3,851 | 548,516 |
| Worship Arts | 439,456 | - | - | 439,456 |
| Discipleship and spiritual formation | 173,452 | - | - | 173,452 |
| United Stewardship fund | 135,000 | - | - | 135,000 |
| Leadership and training | 131,088 | - | - | 131,088 |
| Total expenses | \$ 5,998,816 | \$ 2,727,736 | \$ 3,851 | \$ 8,730,403 |

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

9. CONCENTRATIONS

The Church receives contributions from a broad and diverse base of individual and business donors. For the year ended May 31, 2019 a contribution was received that represents 11.7% of the Church's total support. This contribution was a non-recurring estate distribution and does not represent an actual concentration risk as it was donor restricted to give to missions and will not be used for the operation of the Church. For the year ended May 31, 2020, no single donor contributed more than 5.0% of the Church's total support.

10. RISK MANAGEMENT

The Church is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Church has purchased commercial insurance for all claims related to the previously stated risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

11. NET ASSETS WITH DONOR RESTRICTIONS

Substantially all the restrictions on net assets at May 31, 2020 and 2019, relate to funds received for specific purposes, as designated at time of gift, that are subject to restrictions for expenditure for that specific purposes. These funds are utilized as expenditures are incurred for that purpose. Additionally, the Church has a beneficial interest in a charitable remainder annuity trust that will be utilized through the passage of time.

Net assets with donor restrictions consist of the following at May 31:

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Purpose restrictions: | | |
| Donor restricted fund: | | |
| Benevolence | \$ 51,662 | \$ 82,843 |
| Missions | 6,267 | 785 |
| Other | 5,000 | 12,494 |
| Global ministries fund: | | |
| Global and local missions | 1,312,350 | 1,416,370 |
| Time restrictions: | | |
| Donor restricted fund: | | |
| Capital campaign pledge receivables | 1,220,972 | - |
| Beneficial interest in charitable remainder annuity trust | 9,000 | 9,000 |
| | <u>\$ 2,605,251</u> | <u>\$ 1,521,492</u> |

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

12. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following as of May 31:

| | 2020 | 2019 |
|---|--------------------|--------------------|
| Cash and cash equivalents | \$ 530,109 | \$ 203,498 |
| Investments | 2,232,230 | 1,774,551 |
| Pledges receivable, current | 634,898 | 984 |
| Less: cash and investments held with donor restrictions | <u>(2,605,251)</u> | <u>(1,521,492)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 791,986</u> | <u>\$ 457,541</u> |

In addition to available financial assets, the Church receives contributions to help support annual expenditures and their mission.

13. ACQUISITION OF CHURCHES

In July 2018, the Church acquired Overflow Church of Benton Harbor in order for the Church to continue its extent its outreach to a new location. Assets acquired consisted of land and buildings of \$540,773, prepaids of \$1,180 and residual cash of \$58,647. A note payable was assumed of \$433,061. The Consolidated Statement of Activities presents these amounts as excess of assets acquired over liabilities assumed in acquisition of Overflow Church of \$167,539. The fair value of assets acquired was arrived at using Level 3 inputs. No consideration was given by the Church in this transaction.

In August 2019, the Church acquired Captivate Church of San Diego, California in order for the Church to continue its extent its outreach to a new location. Assets acquired consisted of residual cash of \$600,891. Payables assumed were \$12,033. The Consolidated Statement of Activities presents these amounts as excess of assets acquired over liabilities assumed in acquisition of Captivate Church of \$588,858. No consideration was given by the Church in this transaction.



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SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

July 15, 2020

Finance Committee
Central Wesleyan of Holland
Holland, Michigan

We have audited the consolidated financial statements of the *Central Wesleyan of Holland*, (the "Church") (a Michigan not-for-profit organization) as of May 31, 2020 and 2019, and our report thereon dated July 15, 2020, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purposes of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 24 through 32 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information, which is the responsibility of management, has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Rehmann Robson LLC". The signature is written in a cursive, flowing style.

CENTRAL WESLEYAN OF HOLLAND

Comparison of Actual and Budgeted Income and Expenses for the General Fund

| | For the Year Ended May 31, 2020 | | | 2019 Actual |
|---|---------------------------------|------------------|----------------------------------|------------------|
| | Actual | Final Budget | Variance with Final Budget | |
| Support and revenues | | | | |
| Contributions | \$ 4,895,151 | \$ 5,021,392 | \$ (126,241) | \$ 5,020,999 |
| Paycheck Protection Program | 552,120 | - | 552,120 | - |
| Program fees | 117,286 | 176,015 | (58,729) | 84,941 |
| Net investment return | 27,480 | 29,400 | (1,920) | 23,039 |
| Total support and revenues | 5,592,037 | 5,226,807 | 365,230 | 5,128,979 |
| Expenses | | | | |
| Personnel and benefits | 3,118,585 | 3,058,700 | 59,885 | 3,077,917 |
| Leadership and training | 99,436 | 143,430 | (43,994) | 131,088 |
| Administration | 5,429 | 134,042 | (128,613) | 109,765 |
| Worship Arts | 288,269 | 327,053 | (38,784) | 283,081 |
| Discipleship and spiritual formation | 118,014 | 138,455 | (20,441) | 97,472 |
| Facilities | 405,553 | 488,047 | (82,494) | 428,771 |
| United Stewardship fund | 123,750 | 135,000 | (11,250) | 135,000 |
| Next Gen | 202,231 | 298,291 | (96,060) | 207,476 |
| Total expenses | 4,361,267 | 4,723,018 | (361,751) | 4,470,570 |
| Change in net assets before nonoperating items | 1,230,770 | 503,789 | 726,981 | 658,409 |
| Nonoperating item | | | | |
| Transfers | (1,080,670) | (503,789) | (576,881) | (658,409) |
| Change in net assets | 150,100 | - | 150,100 | - |
| Net assets, beginning of year | - | - | - | - |
| Net assets, end of year | \$ 150,100 | \$ - | \$ 150,100 | \$ - |

See independent auditors' report on supplementary information.

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CENTRAL WESLEYAN OF HOLLAND

Combining Schedule of Financial Position By Fund

May 31, 2020

| | General Fund | Designated Fund | Donor Restricted Fund | Fixed Asset Fund |
|---|-------------------|-------------------|-----------------------|----------------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ (278,057) | \$ (46,793) | \$ (1,924) | \$ - |
| Investments | 535,478 | (205,025) | - | - |
| Pledges receivable | - | - | 634,071 | - |
| Inter-entity receivable, current portion | - | 34,498 | - | 378,264 |
| Prepaid expenses and other assets | 148,071 | 5,945 | - | - |
| Total current assets | 405,492 | (211,375) | 632,147 | 378,264 |
| Pledges receivable, net of current portion | - | - | 586,901 | - |
| Beneficial interest in charitable remainder annuity trust | - | - | 9,000 | - |
| Inter-entity receivable, net of current portion | - | 333,889 | - | 3,500,676 |
| Property and equipment, net | - | - | - | 27,660,076 |
| Total assets | \$ 405,492 | \$ 122,514 | \$ 1,228,048 | \$ 31,539,016 |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 45,302 | \$ 6,679 | \$ - | \$ - |
| Accrued compensation | 210,090 | - | - | - |
| Inter-entity payable, current portion | - | - | - | - |
| Total current liabilities | 255,392 | 6,679 | - | - |
| Inter-entity payable, net of current portion | - | - | - | - |
| Note payable, net of current portion | - | - | - | 5,500,000 |
| Total liabilities | 255,392 | 6,679 | - | 5,500,000 |
| Net assets | | | | |
| Without donor restrictions: | | | | |
| Undesignated | 150,100 | - | - | - |
| Designated | - | 115,835 | (64,853) | 3,878,940 |
| Net investment in property and equipment | - | - | - | 22,160,076 |
| Total without donor restrictions | 150,100 | 115,835 | (64,853) | 26,039,016 |
| With donor restrictions | - | - | 1,292,901 | - |
| Total net assets | 150,100 | 115,835 | 1,228,048 | 26,039,016 |
| Total liabilities and net assets | \$ 405,492 | \$ 122,514 | \$ 1,228,048 | \$ 31,539,016 |

See independent auditors' report on supplementary information.

| Property and Equipment Fund | Global Ministries | Water's Edge Network | Water's Edge West | Elimination | Total |
|-----------------------------|---------------------|----------------------|---------------------|-----------------------|----------------------|
| \$ 393,012 | \$ 145,866 | \$ 265,417 | \$ 52,588 | \$ - | \$ 530,109 |
| 663,700 | 1,136,300 | 101,777 | - | - | 2,232,230 |
| - | 827 | - | - | - | 634,898 |
| - | - | - | - | (412,762) | - |
| - | 32,580 | 10,681 | 253,323 | - | 450,600 |
| <u>1,056,712</u> | <u>1,315,573</u> | <u>377,875</u> | <u>305,911</u> | <u>(412,762)</u> | <u>3,847,837</u> |
| - | - | - | - | - | 586,901 |
| - | - | - | - | - | 9,000 |
| - | - | - | - | (3,834,565) | - |
| - | - | - | 4,457,813 | - | 32,117,889 |
| <u>\$ 1,056,712</u> | <u>\$ 1,315,573</u> | <u>\$ 377,875</u> | <u>\$ 4,763,724</u> | <u>\$ (4,247,327)</u> | <u>\$ 36,561,627</u> |
| \$ 2,150 | \$ 3,223 | \$ 12,006 | \$ 11,712 | \$ - | \$ 81,072 |
| - | - | - | - | - | 210,090 |
| - | - | 34,498 | 378,264 | (412,762) | - |
| <u>2,150</u> | <u>3,223</u> | <u>46,504</u> | <u>389,976</u> | <u>(412,762)</u> | <u>291,162</u> |
| - | - | 333,889 | 3,500,676 | (3,834,565) | - |
| - | - | - | - | - | 5,500,000 |
| <u>2,150</u> | <u>3,223</u> | <u>380,393</u> | <u>3,890,652</u> | <u>(4,247,327)</u> | <u>5,791,162</u> |
| - | - | - | - | - | 150,100 |
| 1,054,562 | - | (2,518) | (3,584,741) | - | 1,397,225 |
| - | - | - | 4,457,813 | - | 26,617,889 |
| <u>1,054,562</u> | <u>-</u> | <u>(2,518)</u> | <u>873,072</u> | <u>-</u> | <u>28,165,214</u> |
| - | 1,312,350 | - | - | - | 2,605,251 |
| <u>1,054,562</u> | <u>1,312,350</u> | <u>(2,518)</u> | <u>873,072</u> | <u>-</u> | <u>30,770,465</u> |
| <u>\$ 1,056,712</u> | <u>\$ 1,315,573</u> | <u>\$ 377,875</u> | <u>\$ 4,763,724</u> | <u>\$ (4,247,327)</u> | <u>\$ 36,561,627</u> |

CENTRAL WESLEYAN OF HOLLAND

Combining Schedule of Activities By Fund

For the Year Ended May 31, 2020

| | General Fund | Designated Fund | Donor Restricted Fund | Fixed Asset Fund |
|--|-------------------|-------------------|-----------------------|----------------------|
| Support and revenues | | | | |
| Contributions | \$ 4,895,151 | \$ 25,959 | \$ 2,523,780 | \$ - |
| Paycheck Protection Program | 552,120 | - | - | - |
| Program fees | 117,286 | 70,964 | - | - |
| Net investment return | 27,480 | 61,991 | - | - |
| Excess of assets acquired over liabilities assumed in acquisition of Captivate Church | - | - | - | - |
| Gain on sale of property and equipment | - | - | - | - |
| Transfers | (1,080,670) | (236,167) | (1,124,181) | 1,803,940 |
| Total support and revenues | 4,511,367 | (77,253) | 1,399,599 | 1,803,940 |
| Expenses | | | | |
| Personnel and benefits | 3,118,585 | - | - | - |
| Leadership and training | 99,436 | - | - | - |
| Administration | 5,429 | 47,325 | 203,534 | - |
| Worship Arts | 288,269 | 9,504 | 823 | - |
| Discipleship and spiritual formation | 118,014 | - | 785 | - |
| Facilities | 405,553 | 9,408 | - | - |
| Building | - | - | - | 1,353,486 |
| United Stewardship fund | 123,750 | - | - | - |
| Missions | - | - | - | - |
| Next Gen | 202,231 | 25,117 | - | - |
| Total expenses | 4,361,267 | 91,354 | 205,142 | 1,353,486 |
| Change in net assets | 150,100 | (168,607) | 1,194,457 | 450,454 |
| Net assets, beginning of year | - | 284,442 | 33,591 | 25,588,562 |
| Net assets, end of year | \$ 150,100 | \$ 115,835 | \$ 1,228,048 | \$ 26,039,016 |

See independent auditors' report on supplementary information.

| Property and Equipment Fund | Global Ministries | Water's Edge Network | Water's Edge West | Elimination | Total |
|-----------------------------|---------------------|----------------------|-------------------|-------------|----------------------|
| \$ - | \$ 718,345 | \$ 1,182,813 | \$ 871,134 | \$ - | \$ 10,217,182 |
| - | - | 108,580 | 36,000 | - | 696,700 |
| 31,719 | - | 39,948 | 6,594 | - | 266,511 |
| - | - | - | - | - | 89,471 |
| - | - | - | 588,858 | - | 588,858 |
| - | - | 1,000 | - | - | 1,000 |
| 723,175 | - | (69,636) | (16,461) | - | - |
| <u>754,894</u> | <u>718,345</u> | <u>1,262,705</u> | <u>1,486,125</u> | <u>-</u> | <u>11,859,722</u> |
| - | - | 714,274 | 343,549 | - | 4,176,408 |
| - | - | - | - | - | 99,436 |
| - | - | 63,039 | 95,474 | - | 414,801 |
| 56,846 | - | 33,827 | - | - | 389,269 |
| 60,963 | - | 62,629 | 31,737 | - | 274,128 |
| 249,783 | - | 194,940 | 200,182 | - | 1,059,866 |
| 59,806 | - | (13,500) | (75,352) | - | 1,324,440 |
| - | - | - | - | - | 123,750 |
| - | 559,490 | 41,909 | 17,463 | - | 618,862 |
| - | 262,875 | - | - | - | 490,223 |
| <u>427,398</u> | <u>822,365</u> | <u>1,097,118</u> | <u>613,053</u> | <u>-</u> | <u>8,971,183</u> |
| 327,496 | (104,020) | 165,587 | 873,072 | - | 2,888,539 |
| <u>727,066</u> | <u>1,416,370</u> | <u>(168,105)</u> | <u>-</u> | <u>-</u> | <u>27,881,926</u> |
| <u>\$ 1,054,562</u> | <u>\$ 1,312,350</u> | <u>\$ (2,518)</u> | <u>\$ 873,072</u> | <u>\$ -</u> | <u>\$ 30,770,465</u> |

CENTRAL WESLEYAN OF HOLLAND

Combining Schedule of Financial Position By Fund

May 31, 2019

| | General Fund | Designated Fund | Donor Restricted Fund | Fixed Asset Fund |
|---|-------------------|-------------------|-----------------------|----------------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ (291,639) | \$ 177,355 | \$ (75,865) | \$ (425,000) |
| Investments | 385,477 | (312,703) | 100,000 | - |
| Pledges receivable | - | - | 546 | - |
| Inter-entity receivable, net of current portion | - | 33,403 | - | - |
| Prepaid expenses and other assets | 125,847 | 19,377 | - | - |
| Total current assets | 219,685 | (82,568) | 24,681 | (425,000) |
| Beneficial interest in charitable remainder annuity trust | | | | |
| | - | - | 9,000 | - |
| Inter-entity receivable, net of current portion | - | 368,387 | - | - |
| Property and equipment, net | - | - | - | 29,013,562 |
| Total assets | \$ 219,685 | \$ 285,819 | \$ 33,681 | \$ 28,588,562 |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 52,889 | \$ 1,377 | \$ 90 | \$ - |
| Accrued compensation | 166,796 | - | - | - |
| Deferred revenue | - | - | - | - |
| Inter-entity payable, current portion | - | - | - | - |
| Note payable, current portion | - | - | - | 660,147 |
| Total current liabilities | 219,685 | 1,377 | 90 | 660,147 |
| Inter-entity payable, net of current portion | | | | |
| | - | - | - | - |
| Note payable, net of current portion | - | - | - | 2,339,853 |
| Total liabilities | 219,685 | 1,377 | 90 | 3,000,000 |
| Net assets | | | | |
| Without donor restrictions: | | | | |
| Designated | - | 284,442 | (71,531) | (425,000) |
| Net investment in property and equipment | - | - | - | 26,013,562 |
| Total without donor restrictions | - | 284,442 | (71,531) | 25,588,562 |
| With donor restrictions | | | | |
| | - | - | 105,122 | - |
| Total net assets | - | 284,442 | 33,591 | 25,588,562 |
| Total liabilities and net assets | \$ 219,685 | \$ 285,819 | \$ 33,681 | \$ 28,588,562 |

See independent auditors' report on supplementary information.

| Property and Equipment Fund | Global Ministries | Water's Edge Network | Elimination | Total |
|-----------------------------|---------------------|----------------------|---------------------|----------------------|
| \$ 216,643 | \$ 448,675 | \$ 153,329 | \$ - | \$ 203,498 |
| 513,700 | 986,300 | 101,777 | - | 1,774,551 |
| - | 438 | - | - | 984 |
| - | - | - | (33,403) | - |
| 1,686 | 9,536 | 6,902 | - | 163,348 |
| <u>732,029</u> | <u>1,444,949</u> | <u>262,008</u> | <u>(33,403)</u> | <u>2,142,381</u> |
| - | - | - | - | 9,000 |
| - | - | - | (368,387) | - |
| - | - | - | - | 29,013,562 |
| <u>\$ 732,029</u> | <u>\$ 1,444,949</u> | <u>\$ 262,008</u> | <u>\$ (401,790)</u> | <u>\$ 31,164,943</u> |
| \$ 4,963 | \$ 28,579 | \$ 8,323 | \$ - | \$ 96,221 |
| - | - | - | - | 166,796 |
| - | - | 20,000 | - | 20,000 |
| - | - | 33,403 | (33,403) | - |
| - | - | - | - | 660,147 |
| <u>4,963</u> | <u>28,579</u> | <u>61,726</u> | <u>(33,403)</u> | <u>943,164</u> |
| - | - | 368,387 | (368,387) | - |
| - | - | - | - | 2,339,853 |
| <u>4,963</u> | <u>28,579</u> | <u>430,113</u> | <u>(401,790)</u> | <u>3,283,017</u> |
| 727,066 | - | (168,105) | - | 346,872 |
| - | - | - | - | 26,013,562 |
| <u>727,066</u> | <u>-</u> | <u>(168,105)</u> | <u>-</u> | <u>26,360,434</u> |
| - | 1,416,370 | - | - | 1,521,492 |
| <u>727,066</u> | <u>1,416,370</u> | <u>(168,105)</u> | <u>-</u> | <u>27,881,926</u> |
| <u>\$ 732,029</u> | <u>\$ 1,444,949</u> | <u>\$ 262,008</u> | <u>\$ (401,790)</u> | <u>\$ 31,164,943</u> |

CENTRAL WESLEYAN OF HOLLAND

Combining Schedule of Activities By Fund

For the Year Ended May 31, 2019

| | General Fund | Designated Fund | Donor Restricted Fund | Fixed Asset Fund |
|---|------------------|-------------------|-----------------------|----------------------|
| Support and revenues | | | | |
| Contributions | \$ 5,020,999 | \$ 32,108 | \$ 897,389 | \$ - |
| Program fees | 84,941 | 91,879 | - | - |
| Net investment return | 23,039 | 37,100 | - | - |
| Excess of assets acquired over liabilities assumed in acquisition of Overflow Church | - | - | - | 167,539 |
| Gain (loss) on sale of property and equipment | - | - | - | (54,849) |
| Change in fair value of time restricted beneficial interest in charitable remainder annuity trust | - | - | 3,000 | - |
| Transfers | (658,409) | 70,693 | (1,150,090) | 1,438,235 |
| Total support and revenues | 4,470,570 | 231,780 | (249,701) | 1,550,925 |
| Expenses | | | | |
| Personnel and benefits | 3,077,917 | - | - | - |
| Leadership and training | 131,088 | - | - | - |
| Administration | 109,765 | 7,046 | 299,916 | - |
| Worship Arts | 283,081 | 287 | 703 | - |
| Discipleship and spiritual formation | 97,472 | - | - | - |
| Facilities | 428,771 | 43,757 | - | - |
| Building | - | - | - | 1,278,100 |
| United Stewardship fund | 135,000 | - | - | - |
| Missions | - | - | - | - |
| Next Gen | 207,476 | 30,422 | - | - |
| Total expenses | 4,470,570 | 81,512 | 300,619 | 1,278,100 |
| Change in net assets | - | 150,268 | (550,320) | 272,825 |
| Net assets, beginning of year | - | 134,174 | 583,911 | 25,315,737 |
| Net assets, end of year | \$ - | \$ 284,442 | \$ 33,591 | \$ 25,588,562 |

See independent auditors' report on supplementary information.

| Property and Equipment Fund | Global Ministries | Water's Edge Network | Elimination | Total |
|-----------------------------|---------------------|----------------------|-------------|----------------------|
| \$ - | \$ 1,730,595 | \$ 983,030 | \$ - | \$ 8,664,121 |
| 55,746 | - | 46,956 | - | 279,522 |
| - | - | - | - | 60,139 |
| - | - | - | - | 167,539 |
| 85,008 | - | 41,777 | - | 71,936 |
| - | - | - | - | 3,000 |
| 636,859 | (55,000) | (282,288) | - | - |
| <u>777,613</u> | <u>1,675,595</u> | <u>789,475</u> | <u>-</u> | <u>9,246,257</u> |
| - | - | 629,326 | - | 3,707,243 |
| - | - | - | - | 131,088 |
| 41,502 | - | 90,287 | - | 548,516 |
| 115,841 | - | 39,544 | - | 439,456 |
| - | - | 75,980 | - | 173,452 |
| 370,196 | - | 221,892 | - | 1,064,616 |
| 25,279 | - | 425 | - | 1,303,804 |
| - | - | - | - | 135,000 |
| - | 358,110 | 98,586 | - | 456,696 |
| - | 532,634 | - | - | 770,532 |
| <u>552,818</u> | <u>890,744</u> | <u>1,156,040</u> | <u>-</u> | <u>8,730,403</u> |
| 224,795 | 784,851 | (366,565) | - | 515,854 |
| <u>502,271</u> | <u>631,519</u> | <u>198,460</u> | <u>-</u> | <u>27,366,072</u> |
| <u>\$ 727,066</u> | <u>\$ 1,416,370</u> | <u>\$ (168,105)</u> | <u>\$ -</u> | <u>\$ 27,881,926</u> |