

Central Wesleyan
of Holland



Years Ended
May 31,
2022 and 2021

Consolidated
Financial
Statements and
Supplementary
Information

Rehmann

CENTRAL WESLEYAN OF HOLLAND

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INDEPENDENT AUDITORS' REPORT

August 9, 2022

Finance Committee
Central Wesleyan of Holland
Holland, Michigan

Opinion

We have audited the accompanying consolidated financial statements of ***Central Wesleyan of Holland*** (the "Church") (a Michigan not-for-profit organization), which comprise the consolidated statements of financial position as of May 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related consolidated notes to the financial statements (the "consolidated financial statements").

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, 2022 and 2021, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Church's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church's ability to continue as a going concern for a reasonable period of time.

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

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

CENTRAL WESLEYAN OF HOLLAND

Consolidated Statements of Financial Position

| | May 31 | |
|---|----------------------|----------------------|
| | 2022 | 2021 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 682,230 | \$ 224,639 |
| Investments | 1,576,902 | 2,128,684 |
| Pledges receivable, net | 136,605 | 668,059 |
| Prepaid expenses and other assets | 246,984 | 174,383 |
| Total current assets | 2,642,721 | 3,195,765 |
| Beneficial interest in charitable remainder annuity trust | 11,000 | 11,000 |
| Property and equipment, net | 32,278,251 | 33,068,752 |
| Total assets | \$ 34,931,972 | \$ 36,275,517 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 185,857 | \$ 124,205 |
| Accrued compensation | 304,143 | 244,459 |
| Deferred revenue | 60,210 | 6,000 |
| Notes payable, current portion | - | 55,048 |
| Total current liabilities | 550,210 | 429,712 |
| Notes payable, net of current portion | 2,270,000 | 3,307,823 |
| Total liabilities | 2,820,210 | 3,737,535 |
| Net assets | | |
| Without donor restrictions | 30,230,680 | 30,410,868 |
| With donor restrictions | 1,881,082 | 2,127,114 |
| Total net assets | 32,111,762 | 32,537,982 |
| Total liabilities and net assets | \$ 34,931,972 | \$ 36,275,517 |

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, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Support, revenues and gains | | | |
| Contributions | \$ 9,286,614 | \$ 1,001,843 | \$ 10,288,457 |
| Program donations | 257,890 | - | 257,890 |
| Net investment return | 10,057 | - | 10,057 |
| Rentals | 142,502 | - | 142,502 |
| Tuition | 129,508 | - | 129,508 |
| Food sales | 148,175 | - | 148,175 |
| Total support, revenues and gains | 9,974,746 | 1,001,843 | 10,976,589 |
| Net assets released from restrictions | 1,247,875 | (1,247,875) | - |
| Total support, revenues, gains and net assets released from restrictions | 11,222,621 | (246,032) | 10,976,589 |
| Expenses | | | |
| Program services - Church ministry | 9,814,563 | - | 9,814,563 |
| Supporting services: | | | |
| Ministry support | 1,588,246 | - | 1,588,246 |
| Total expenses | 11,402,809 | - | 11,402,809 |
| Change in net assets | (180,188) | (246,032) | (426,220) |
| Net assets, beginning of year | 30,410,868 | 2,127,114 | 32,537,982 |
| Net assets, end of year | <u>\$ 30,230,680</u> | <u>\$ 1,881,082</u> | <u>\$ 32,111,762</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, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Support, revenues and gains | | | |
| Contributions | \$ 8,057,326 | \$ 1,105,054 | \$ 9,162,380 |
| Paycheck Protection Program | 94,700 | - | 94,700 |
| Program donations | 133,215 | - | 133,215 |
| Net investment return | 173,037 | - | 173,037 |
| Rentals | 73,330 | - | 73,330 |
| Tuition | 5,335 | - | 5,335 |
| Food sales | 44,103 | - | 44,103 |
| Excess of assets acquired over liabilities assumed in acquisition of Lifebridge Church (see Note 12) | 1,155,533 | - | 1,155,533 |
| Gain on sale of property and equipment | 263,446 | - | 263,446 |
| Change in fair value of time restricted beneficial interest in charitable remainder annuity trust | - | 2,000 | 2,000 |
| Total support, revenues and gains | 10,000,025 | 1,107,054 | 11,107,079 |
| Net assets released from restrictions | 1,585,191 | (1,585,191) | - |
| Total support, revenues, gains and net assets released from restrictions | 11,585,216 | (478,137) | 11,107,079 |
| Expenses | | | |
| Program services - Church ministry | 8,455,409 | - | 8,455,409 |
| Supporting services: Ministry support | 884,153 | - | 884,153 |
| Total expenses | 9,339,562 | - | 9,339,562 |
| Change in net assets | 2,245,654 | (478,137) | 1,767,517 |
| Net assets, beginning of year | 28,165,214 | 2,605,251 | 30,770,465 |
| Net assets, end of year | \$ 30,410,868 | \$ 2,127,114 | \$ 32,537,982 |

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

CENTRAL WESLEYAN OF HOLLAND

Consolidated Statement of Functional Expenses

For the Year Ended May 31, 2022

| | Program Services | Supporting Services | |
|--|---------------------|------------------------|----------------------|
| | Church ministry | Ministry support | Total |
| Expenses | | | |
| Bank service fees and taxes | \$ 165,481 | \$ 76,325 | \$ 241,806 |
| Benevolence gifts | 83,063 | - | 83,063 |
| Church supplies | 169,113 | 224,633 | 393,746 |
| Depreciation | 1,670,685 | - | 1,670,685 |
| District membership | 153,059 | - | 153,059 |
| Insurance | - | 70,034 | 70,034 |
| Interest expense | - | 94,725 | 94,725 |
| Meals | 139,320 | 31,922 | 171,242 |
| Meetings and events | 236,347 | - | 236,347 |
| Ministry production | 597,786 | 6,717 | 604,503 |
| Minor capital improvements | 209,871 | - | 209,871 |
| Miscellaneous church | 199,864 | 656 | 200,520 |
| Missions and outreach support | 599,401 | - | 599,401 |
| Postage | 7,331 | 649 | 7,980 |
| Printing and copying | 20,761 | 2,109 | 22,870 |
| Professional fees | 5,971 | 8,486 | 14,457 |
| Rental | 36,800 | 230,414 | 267,214 |
| Repairs and maintenance | 273,746 | - | 273,746 |
| Salaries and benefits | 4,880,026 | 476,172 | 5,356,198 |
| Telephone | 68,119 | 6,669 | 74,788 |
| Trainings, curriculum and leadership development | 205,353 | - | 205,353 |
| Travel | 80,579 | 4,682 | 85,261 |
| Utilities | 11,887 | 354,053 | 365,940 |
| Total expenses | \$ 9,814,563 | \$ 1,588,246 | \$ 11,402,809 |

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

CENTRAL WESLEYAN OF HOLLAND

Consolidated Statement of Functional Expenses

For the Year Ended May 31, 2021

| | Program Services | Supporting Services | |
|--|---------------------|------------------------|---------------------|
| | Church ministry | Ministry support | Total |
| Expenses | | | |
| Bank service fees and taxes | \$ 104,583 | \$ 159,575 | \$ 264,158 |
| Benevolence gifts | 39,578 | - | 39,578 |
| Church supplies | 140,290 | 63,343 | 203,633 |
| Depreciation | 1,680,601 | - | 1,680,601 |
| District membership | 137,015 | - | 137,015 |
| Insurance | - | 55,372 | 55,372 |
| Interest expense | - | 134,652 | 134,652 |
| Meals | 72,507 | 6,640 | 79,147 |
| Meetings and events | 66,092 | - | 66,092 |
| Ministry production | 481,082 | 8,886 | 489,968 |
| Minor capital improvements | 208,653 | - | 208,653 |
| Miscellaneous church | 102,061 | 2,614 | 104,675 |
| Missions and outreach support | 536,351 | - | 536,351 |
| Postage | 5,352 | 302 | 5,654 |
| Printing and copying | 18,476 | 972 | 19,448 |
| Professional fees | 34,300 | 1,062 | 35,362 |
| Rental | 20,000 | 51,109 | 71,109 |
| Repairs and maintenance | 313,228 | - | 313,228 |
| Salaries and benefits | 4,273,074 | 118,477 | 4,391,551 |
| Telephone | 71,631 | 7,757 | 79,388 |
| Trainings, curriculum and leadership development | 104,415 | - | 104,415 |
| Travel | 39,550 | 4,768 | 44,318 |
| Utilities | 6,570 | 268,624 | 275,194 |
| Total expenses | \$ 8,455,409 | \$ 884,153 | \$ 9,339,562 |

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 | |
|---|-------------------|--------------------|
| | 2022 | 2021 |
| Cash flows from operating activities | | |
| Change in net assets | \$ (426,220) | \$ 1,767,517 |
| 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 | - | (2,000) |
| Depreciation | 1,670,685 | 1,680,600 |
| Provision for uncollectable promises to give | 275,000 | - |
| Reinvested income on investments | (8,005) | (13,705) |
| Realized and unrealized (gain) loss on investments | 40,290 | (110,494) |
| Gain on sale of property and equipment | - | (263,446) |
| Excess of assets acquired over liabilities assumed in acquisition of LifeBridge Church | - | (1,155,533) |
| Changes in present value of pledge receivable | - | (45,931) |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses and other assets | (41,215) | 276,217 |
| Accounts payable and accrued expenses | 61,652 | 49,133 |
| Accrued compensation | 59,684 | 34,369 |
| Deferred revenue | 54,210 | - |
| Net cash provided by operating activities | <u>1,686,081</u> | <u>2,216,727</u> |
| Cash flows from investing activities | | |
| Purchases and construction of property and equipment | (911,570) | (1,275,286) |
| Proceeds on sale of property and equipment | - | 351,060 |
| Cash obtained from church acquisition | - | 404,100 |
| Purchases of investments | (1,577,364) | (2,646,835) |
| Proceeds from sales of investments | 2,096,861 | 2,874,581 |
| Net cash used in investing activities | <u>(392,073)</u> | <u>(292,380)</u> |
| Cash flows from financing activities | | |
| Pledges received related to capital campaign | 256,454 | 599,671 |
| Payments of notes payable | (1,092,871) | (2,829,488) |
| Net cash used in financing activities | <u>(836,417)</u> | <u>(2,229,817)</u> |
| Net increase (decrease) in cash and cash equivalents | 457,591 | (305,470) |
| Cash and cash equivalents, beginning of year | 224,639 | 530,109 |
| Cash and cash equivalents, end of year | <u>\$ 682,230</u> | <u>\$ 224,639</u> |

Other Cash Flow Information:

During the year ended May 31, 2022, the Church transferred \$31,386 of land in property and equipment to other assets as the land was held for resale.

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 5,674 and 5,221 individuals in morning worship attendance during the years ended May 31, 2022 and 2021, respectively. During both 2022 and 2021, approximately \$10.3 million and \$9.2 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 employed a full-time equivalent staff of 63 and 49 at the years ended May 31, 2022 and 2021, respectively. In addition to paid staff positions, the ministries of the Church use volunteers in more than 1,500 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 98 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 six satellite locations, the La Roca Church within the Holland location, The Local Church in the Grand Rapids, Michigan area, Overflow Church in the Benton Harbor, Michigan area, LifeBridge Church in the South Haven, Michigan area, The Well in the Columbia, Tennessee 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. The COVID-19 outbreak impact on 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.

The Church received proceeds from borrowings in the amount of \$94,700 through the Second Draw Payroll Protection Program ("PPP2") on February 16, 2021, obtained through the CARES Act, as amended by Title III of the Consolidated Appropriations Act of 2021, which was enacted into law on December 27, 2020. The loan has a two year maturity and is subject to a 1% interest rate. There are certain provisions with the PPP2 which permit the Church to have this loan fully or partially forgiven based on specific stipulations within the agreement. As of May 31, 2021, all of the loan proceeds had been spent on eligible expenses and the loan was fully forgiven in accordance with the CARES Act on June 22, 2021. As such, the Church has recognized the full amount on the 2021 consolidated statement of activities as Payroll Protection Program revenues.

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 support and revenues 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, allowance of uncollectible pledges receivable, and the fair value of investments.

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

Basis of Presentation

Net assets, support 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.

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. The Church does not have any donor-imposed restrictions that are perpetual in nature. 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 2022 and 2021, 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 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.

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to 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 LifeBridge Church.

Pledges Receivable, Net

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 \$275,000 and no allowance necessary on pledge receivables as of May 31, 2022 and 2021, respectively.

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.

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

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, 2022 and 2021. 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.

Revenue Recognition

The Church operates two coffee shops to support its mission. The Church recognizes exchange revenue from food and beverage concessions at the coffee shops at the time of sale. Customers pay for goods sold on a stand-alone selling price basis at the point of sale which occurs at a point in time. Control is transferred immediately to the customer at the point of sale.

Beginning in fiscal year 2022, the Church started operating a Christian home-school academy to support the mission of the Church. The students pay for benefits up front and the performance obligation of the exchange element is satisfied over time as the benefits are consumed. A portion of tuition is deferred at year end and will be recognized as tuition revenue when earned in the next school year.

Functional Expenses

The cost of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expense present the natural classification detail of expenses by function. Expenses are generally charged to functional departments as incurred for the various activities except for payroll costs, which have been allocated based on functional utilization.

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.

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

The Church has evaluated its income tax filing positions for fiscal years 2018 through 2021, the years which remain subject to examination as of May 31, 2022. 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, 2022 or 2021, and is not aware of any claims for such amounts by federal or state income tax authorities.

Reclassifications

Certain amounts in the May 31, 2021 consolidated financial statements have been reclassified to conform with the May 31, 2022 presentation.

Upcoming Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-02, *Leases* (Topic 842). This standard will require all leases with durations greater than twelve months to be recognized on the consolidated balance sheet as right-of-use asset and lease liability. The standard is effective for the Church beginning June 1, 2022. Management continues to evaluate the impact of the adoption of Topic 842 and its effects on the Church's financial position and results of operations.

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, 2022, the most recent consolidated statement of financial position presented herein, through August 9, 2022, the date these consolidated financial statements were available to be issued. No significant such events or transactions were identified other than the matter described in Note 13.

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.

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

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:

| 2022 | Total | Level 1 | Level 2 | Level 3 |
|---|---------------------|-------------------|-------------|-------------------|
| Bond mutual funds | \$ 321,822 | \$ 321,822 | \$ - | \$ - |
| Equity mutual funds | 381,917 | 381,917 | - | - |
| Money market funds | 11,900 | 11,900 | - | - |
| Investment in Wesleyan Investment Foundation | 861,263 | - | - | 861,263 |
| Total investments | 1,576,902 | 715,639 | - | 861,263 |
| Beneficial interest in charitable remainder annuity trust | 11,000 | - | - | 11,000 |
| Total assets at fair market value | \$ 1,587,902 | \$ 715,639 | \$ - | \$ 872,263 |

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

| 2021 | Total | Level 1 | Level 2 | Level 3 |
|---|---------------------|---------------------|-------------|---------------------|
| Bond mutual funds | \$ 475,105 | \$ 475,105 | \$ - | \$ - |
| Equity mutual funds | 511,095 | 511,095 | - | - |
| Real estate mutual funds | 17,545 | 17,545 | - | - |
| Money market funds | 3,192 | 3,192 | - | - |
| Investment in Wesleyan Investment Foundation | 1,121,747 | - | - | 1,121,747 |
| Total investments | 2,128,684 | 1,006,937 | - | 1,121,747 |
| Beneficial interest in charitable remainder annuity trust | 11,000 | - | - | 11,000 |
| Total assets at fair market value | \$ 2,139,684 | \$ 1,006,937 | \$ - | \$ 1,132,747 |

The Church owns shares in the Wesleyan Investment Foundation; fair value was classified as Level 3 at May 31, 2022 and 2021. 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:

| | 2022 | 2021 |
|--|-------------------|---------------------|
| Beginning balance | \$ 1,121,747 | \$ 1,350,465 |
| Deposits | 1,570,000 | 2,623,087 |
| Withdrawals | (1,846,861) | (2,874,581) |
| Investment income/change in fair value | 16,377 | 22,776 |
| Total | \$ 861,263 | \$ 1,121,747 |

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:

| | 2022 | 2021 |
|----------------------|------------------|------------------|
| Beginning balance | \$ 11,000 | \$ 9,000 |
| Change in fair value | - | 2,000 |
| Total | \$ 11,000 | \$ 11,000 |

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

3. PLEDGES RECEIVABLE, NET

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:

| | 2022 | 2021 |
|---------------------------------------|--------------------------|--------------------------|
| Receivables in less than one year | \$ 411,605 | \$ 668,059 |
| Less: allowance for doubtful accounts | <u>(275,000)</u> | <u>-</u> |
| Pledges receivable, net | <u>\$ 136,605</u> | <u>\$ 668,059</u> |

4. PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at May 31:

| | 2022 | 2021 |
|------------------------------------|-----------------------------|-----------------------------|
| Land | \$ 2,624,877 | \$ 2,656,263 |
| Buildings | 53,913,311 | 53,338,976 |
| Furniture and equipment | 1,520,325 | 1,520,325 |
| Vehicles | 215,127 | 191,416 |
| Construction in progress | <u>344,059</u> | <u>30,535</u> |
| Total | 58,617,699 | 57,737,515 |
| Less accumulated depreciation | <u>(26,339,448)</u> | <u>(24,668,763)</u> |
| Property and equipment, net | <u>\$ 32,278,251</u> | <u>\$ 33,068,752</u> |

Depreciation expense amounted to \$1,670,685 and \$1,680,601 during 2022 and 2021, respectively.

As of May 31, 2022, the Church had construction commitments of approximately \$266,500 on construction projects in progress.

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

5. NOTES PAYABLE

On August 28, 2019, the Church signed a \$6,300,000 promissory note with interest of 3.49%. The outstanding principal balance at May 31, 2022 of \$2,270,000 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, 2022 and 2023 payments were advanced paid, as such no amount is due until August 25, 2024. 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, 2022 and 2021, the Church paid \$94,725 and \$159,751 in interest expense, respectively.

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

| Year Ended May 31, | Principal |
|-----------------------|----------------------------|
| 2023 | \$ - |
| 2024 | - |
| 2025 | 630,000 |
| 2026 | 630,000 |
| 2027 | <u>1,010,000</u> |
| Total | <u><u>\$ 2,270,000</u></u> |

6. RELATED PARTY TRANSACTIONS

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

| | 2022 | 2021 |
|--|------------|------------|
| Cash paid to the Wesleyan Church denomination and its subsidiaries: | | |
| The Great Lakes District, the Wesleyan Denomination, and the Wesleyan Educational Institutions | \$ 153,059 | \$ 142,494 |
| Investment management fees paid to firm by which member of finance committee is employed | 4,267 | 4,719 |
| Support payments made to non-profits affiliated with an Elder, Deacon, or staff | - | 6,600 |
| Attorney fees paid to firm by which member of finance committee is employed | 3,119 | 7,229 |

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

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, 2022 and 2021, was \$249,915 and \$229,810, respectively.

8. LEASES

The Church leases worship space for The Well of Tennessee. Rental payments for the worship space amounted to \$217,500 and \$6,000 for the years ended May 31, 2022 and 2021. The lease agreement expires on February 28, 2026. The following is a summary of annual minimum future payments anticipated to be received on the non-cancelable operating lease succeeding May 31, 2022:

| Year | Amount |
|--------------|----------------------------|
| 2023 | \$ 282,000 |
| 2024 | 282,000 |
| 2025 | 282,000 |
| 2026 | <u>211,500</u> |
| Total | <u><u>\$ 1,057,500</u></u> |

9. 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.

10. NET ASSETS WITH DONOR RESTRICTIONS

Substantially all the restrictions on net assets at May 31, 2022 and 2021, relate to funds received for specific purposes, as designated at time of gift, that are subject to restrictions for expenditure for those 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.

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

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

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Purpose restrictions: | | |
| Donor restricted fund: | | |
| Benevolence | \$ 197,146 | \$ 148,360 |
| Missions | 2,934 | 2,934 |
| Building | 125,552 | - |
| Youth | 117,925 | - |
| Other | 18,314 | 18,314 |
| Capital campaign pledge receivables | 136,605 | 666,129 |
| Global ministries fund: | | |
| Global and local missions | 1,271,606 | 1,280,377 |
| Time restrictions: | | |
| Donor restricted fund: | | |
| Beneficial interest in charitable remainder annuity trust | 11,000 | 11,000 |
| | <u>\$ 1,881,082</u> | <u>\$ 2,127,114</u> |

11. 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:

| | 2022 | 2021 |
|---|--------------------------|--------------------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 682,230 | \$ 224,639 |
| Investments | 1,576,902 | 2,128,684 |
| Pledges receivable, net | 136,605 | 668,059 |
| Subtotal | 2,395,737 | 3,021,382 |
| Less amounts unavailable for general expenditures within one year due to: | | |
| Restricted by donors - specified purposes | (1,676,873) | (2,068,543) |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 718,864</u> | <u>\$ 952,839</u> |

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

CENTRAL WESLEYAN OF HOLLAND

Consolidated Notes to Financial Statements

12. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers of the Church for the years ended May 31, 2022 and 2021, is as follows:

| | 2022 | 2021 |
|--------------|-------------------|------------------|
| Tuition | \$ 129,508 | \$ 5,335 |
| Food sales | 148,175 | 44,103 |
| Total | <u>\$ 277,683</u> | <u>\$ 49,438</u> |

Food sales are recognized at a point in time as control does not transfer to the customer until the point of sale. Tuition is recognized over time as the customer simultaneously receives and consumes the benefit of the services.

The Church's deferred revenue from revenue from contracts with customers were as follows for the years ended May 31, 2022 and 2021:

| | 2022 | 2021 |
|-----------------------|--------|------|
| Beginning of the year | \$ - | \$ - |
| End of the year | 40,667 | - |

13. ACQUISITION OF CHURCHES (INCLUDING SUBSEQUENT EVENT)

In October 2020, the Church acquired LifeBridge Church of South Haven in order for the Church to continue to extend its outreach to a new location. Assets acquired consisted of land and buildings of \$1,443,792 and residual cash of \$404,100. A note payable was assumed of \$692,359. The land and building and related note payable financing were recently acquired by LifeBridge Church therefore, the carrying value was used to approximate fair value used to record at the date of acquisition. The consolidated statement of activities presents these amounts as excess of assets acquired over liabilities assumed in acquisition of LifeBridge Church of \$1,155,533. No consideration was given by the Church in this transaction.

The Church acquired in June 2022 Redeemer City Church in order to continue to extend its outreach to a new location. The amount of assets acquired and residual cash is still to be determined. An operating lease obligation will be assumed for the rental of facilities. No consideration will be given by the Church in this transaction.



SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

August 9, 2022

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, 2022 and 2021, and our report thereon dated August 9, 2022, 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 26 through 35 is presented for purposes of additional analysis and is 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.

Rehmann Lobson LLC

CENTRAL WESLEYAN OF HOLLAND

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

| | For the Year Ended May 31, 2022 | | | 2021 Actual |
|---|---------------------------------|------------------|----------------------------------|--------------------|
| | Actual | Final Budget | Variance with Final Budget | |
| Support and revenues | | | | |
| Contributions | \$ 5,149,615 | \$ 5,201,000 | \$ (51,385) | \$ 5,181,680 |
| Program donations | 116,449 | 153,330 | (36,881) | 40,574 |
| Net investment return | 27,722 | 17,500 | 10,222 | 25,177 |
| Rentals | 28,890 | 12,000 | 16,890 | 5,957 |
| Total support and revenues | <u>5,322,676</u> | <u>5,383,830</u> | <u>(61,154)</u> | <u>5,253,388</u> |
| Expenses | | | | |
| Personnel and benefits | 2,717,540 | 3,142,381 | (424,841) | 2,910,827 |
| Leadership and training | 123,019 | 137,095 | (14,076) | 100,262 |
| Administration | 449,194 | 60,907 | 388,287 | 110,386 |
| Worship Arts | 212,172 | 209,264 | 2,908 | 318,451 |
| Discipleship and spiritual formation | 109,284 | 125,921 | (16,637) | 62,385 |
| Facilities | 454,157 | 469,995 | (15,838) | 434,835 |
| United Stewardship fund | 135,000 | 135,000 | - | 133,673 |
| Water's Edge Network | 366,851 | 410,438 | (43,587) | 22,030 |
| Next Gen | 247,051 | 315,480 | (68,429) | 146,806 |
| Total expenses | <u>4,814,268</u> | <u>5,006,481</u> | <u>(192,213)</u> | <u>4,239,655</u> |
| Change in net assets before nonoperating items | 508,408 | 377,349 | 131,059 | 1,013,733 |
| Nonoperating item | | | | |
| Transfers | <u>(508,408)</u> | <u>(377,349)</u> | <u>(131,059)</u> | <u>(1,163,833)</u> |
| Change in net assets | - | - | - | (150,100) |
| Net assets, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>150,100</u> |
| Net assets, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See independent auditors' report on supplementary information.

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CENTRAL WESLEYAN OF HOLLAND

Combining Schedule of Financial Position By Fund

May 31, 2022

| | General Fund | Designated Fund | Donor Restricted Fund | Fixed Asset Fund |
|---|-------------------|-------------------|-----------------------|----------------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 136,800 | \$ 168,559 | \$ 145,579 | \$ (1,290,045) |
| Investments | 92,486 | 170,639 | 200,000 | - |
| Pledges receivable, net | - | - | 136,605 | - |
| Prepaid expenses and other assets | 123,984 | 24,754 | - | 31,386 |
| Total current assets | 353,270 | 363,952 | 482,184 | (1,258,659) |
| Beneficial interest in charitable remainder annuity trust | - | - | 11,000 | - |
| Property and equipment, net | - | - | - | 32,278,251 |
| Total assets | \$ 353,270 | \$ 363,952 | \$ 493,184 | \$ 31,019,592 |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 72,277 | \$ 1,612 | \$ 1,633 | \$ - |
| Accrued compensation | 279,725 | - | - | - |
| Deferred revenue | 1,268 | 2,250 | - | - |
| Total current liabilities | 353,270 | 3,862 | 1,633 | - |
| Notes payable, net of current portion | - | - | - | 2,270,000 |
| Total liabilities | 353,270 | 3,862 | 1,633 | 2,270,000 |
| Net assets | | | | |
| Without donor restrictions: | | | | |
| Designated | - | 360,090 | - | (1,258,659) |
| Net investment in property and equipment | - | - | - | 30,008,251 |
| Total without donor restrictions | - | 360,090 | - | 28,749,592 |
| With donor restrictions | - | - | 491,551 | - |
| Total net assets | - | 360,090 | 491,551 | 28,749,592 |
| Total liabilities and net assets | \$ 353,270 | \$ 363,952 | \$ 493,184 | \$ 31,019,592 |

See independent auditors' report on supplementary information.

| Property and Equipment Fund | Global Ministries | Water's Edge Network | Water's Edge West | Total |
|-----------------------------|---------------------|----------------------|-------------------|----------------------|
| \$ 767,243 | \$ 231,764 | \$ 233,149 | \$ 289,181 | \$ 682,230 |
| - | 1,045,000 | 68,777 | - | 1,576,902 |
| - | - | - | - | 136,605 |
| 1,076 | - | 54,746 | 11,038 | 246,984 |
| <u>768,319</u> | <u>1,276,764</u> | <u>356,672</u> | <u>300,219</u> | <u>2,642,721</u> |
| - | - | - | - | 11,000 |
| - | - | - | - | <u>32,278,251</u> |
| <u>\$ 768,319</u> | <u>\$ 1,276,764</u> | <u>\$ 356,672</u> | <u>\$ 300,219</u> | <u>\$ 34,931,972</u> |
| \$ 44,307 | \$ 3,058 | \$ 24,642 | \$ 38,328 | \$ 185,857 |
| - | - | 15,318 | 9,100 | 304,143 |
| 2,150 | 2,100 | 100 | 52,342 | 60,210 |
| <u>46,457</u> | <u>5,158</u> | <u>40,060</u> | <u>99,770</u> | <u>550,210</u> |
| - | - | - | - | 2,270,000 |
| <u>46,457</u> | <u>5,158</u> | <u>40,060</u> | <u>99,770</u> | <u>2,820,210</u> |
| 721,862 | - | 198,687 | 200,449 | 222,429 |
| - | - | - | - | 30,008,251 |
| <u>721,862</u> | <u>-</u> | <u>198,687</u> | <u>200,449</u> | <u>30,230,680</u> |
| - | 1,271,606 | 117,925 | - | 1,881,082 |
| <u>721,862</u> | <u>1,271,606</u> | <u>316,612</u> | <u>200,449</u> | <u>32,111,762</u> |
| <u>\$ 768,319</u> | <u>\$ 1,276,764</u> | <u>\$ 356,672</u> | <u>\$ 300,219</u> | <u>\$ 34,931,972</u> |

CENTRAL WESLEYAN OF HOLLAND

Combining Schedule of Activities By Fund

For the Year Ended May 31, 2022

| | General Fund | Designated Fund | Donor Restricted Fund | Fixed Asset Fund |
|--------------------------------------|------------------|-------------------|-----------------------|----------------------|
| Support and revenues | | | | |
| Contributions | \$ 5,149,615 | \$ (1,582) | \$ 215,343 | \$ - |
| Program donations | 116,449 | 61,868 | - | - |
| Net investment return | 27,722 | (19,457) | - | - |
| Rentals | 28,890 | - | - | - |
| Tuition | - | - | - | - |
| Food sales | - | 148,175 | - | - |
| Transfers | (508,408) | (301,569) | (307,059) | 682,477 |
| Total support and revenues | 4,814,268 | (112,565) | (91,716) | 682,477 |
| Expenses | | | | |
| Personnel and benefits | 2,717,540 | 75,500 | - | - |
| Leadership and training | 123,019 | - | - | - |
| Administration | 449,194 | 33,047 | 177,053 | - |
| Worship Arts | 212,172 | 32 | 221 | - |
| Discipleship and spiritual formation | 109,284 | 110,817 | - | - |
| Facilities | 454,157 | 5,681 | (121,266) | (27,577) |
| Building | - | - | 148,949 | 759,115 |
| United Stewardship fund | 135,000 | - | - | - |
| Missions | - | - | 6,110 | - |
| Water's Edge Network | 366,851 | - | - | - |
| Next Gen | 247,051 | (1,524) | - | - |
| Total expenses | 4,814,268 | 223,553 | 211,067 | 731,538 |
| Change in net assets | - | (336,118) | (302,783) | (49,061) |
| Net assets, beginning of year | - | 696,208 | 794,334 | 28,798,653 |
| Net assets, end of year | \$ - | \$ 360,090 | \$ 491,551 | \$ 28,749,592 |

See independent auditors' report on supplementary information.

| Property and Equipment Fund | Global Ministries | Water's Edge Network | Water's Edge West | Total |
|-----------------------------|-------------------|----------------------|-------------------|---------------|
| \$ - | \$ 668,575 | \$ 2,634,012 | \$ 1,622,494 | \$ 10,288,457 |
| 17,341 | - | 37,456 | 24,776 | 257,890 |
| - | - | 1,792 | - | 10,057 |
| 31,302 | - | 150 | 82,160 | 142,502 |
| - | - | - | 129,508 | 129,508 |
| - | - | - | - | 148,175 |
| 751,511 | (120,631) | 919,558 | (1,115,879) | - |
| 800,154 | 547,944 | 3,592,968 | 743,059 | 10,976,589 |
| - | - | 1,282,691 | 807,395 | 4,883,126 |
| - | - | 25,147 | - | 148,166 |
| - | - | 121,572 | 179,542 | 960,408 |
| 80,987 | - | 153,250 | - | 446,662 |
| 1,409 | - | 188,836 | 94,490 | 504,836 |
| 315,777 | - | 794,653 | 281,955 | 1,703,380 |
| 394,437 | - | - | - | 1,302,501 |
| - | - | 18,059 | - | 153,059 |
| - | 384,976 | 94,497 | 28,464 | 514,047 |
| - | - | - | - | 366,851 |
| - | 171,739 | 2,507 | - | 419,773 |
| 792,610 | 556,715 | 2,681,212 | 1,391,846 | 11,402,809 |
| 7,544 | (8,771) | 911,756 | (648,787) | (426,220) |
| 714,318 | 1,280,377 | (595,144) | 849,236 | 32,537,982 |
| \$ 721,862 | \$ 1,271,606 | \$ 316,612 | \$ 200,449 | \$ 32,111,762 |

CENTRAL WESLEYAN OF HOLLAND

Combining Schedule of Financial Position By Fund

May 31, 2021

| | General Fund | Designated Fund | Donor Restricted Fund | Fixed Asset Fund |
|---|-------------------|-------------------|-----------------------|----------------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ (595,642) | \$ 81,845 | \$ 117,205 | \$ (886,443) |
| Investments | 758,477 | 272,147 | - | - |
| Pledges receivable | - | - | 666,129 | - |
| Inter-entity receivable, net of current portion | - | - | - | 192,651 |
| Prepaid expenses and other assets | 126,752 | 12,944 | - | - |
| Total current assets | 289,587 | 366,936 | 783,334 | (693,792) |
| Beneficial interest in charitable remainder annuity trust | - | - | 11,000 | - |
| Inter-entity receivable, net of current portion | - | 333,968 | - | 3,724,474 |
| Property and equipment, net | - | - | - | 28,667,971 |
| Total assets | <u>\$ 289,587</u> | <u>\$ 700,904</u> | <u>\$ 794,334</u> | <u>\$ 31,698,653</u> |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 52,628 | \$ 4,696 | \$ - | \$ - |
| Accrued compensation | 236,959 | - | - | - |
| Deferred revenue | - | - | - | - |
| Inter-entity payable, current portion | - | - | - | - |
| Note payable, current portion | - | - | - | - |
| Total current liabilities | 289,587 | 4,696 | - | - |
| Inter-entity payable, net of current portion | - | - | - | - |
| Note payable, net of current portion | - | - | - | 2,900,000 |
| Total liabilities | <u>289,587</u> | <u>4,696</u> | <u>-</u> | <u>2,900,000</u> |
| Net assets | | | | |
| Without donor restrictions: | | | | |
| Designated | - | 696,208 | (52,403) | 3,030,682 |
| Net investment in property and equipment | - | - | - | 25,767,971 |
| Total without donor restrictions | - | 696,208 | (52,403) | 28,798,653 |
| With donor restrictions | - | - | 846,737 | - |
| Total net assets | <u>-</u> | <u>696,208</u> | <u>794,334</u> | <u>28,798,653</u> |
| Total liabilities and net assets | <u>\$ 289,587</u> | <u>\$ 700,904</u> | <u>\$ 794,334</u> | <u>\$ 31,698,653</u> |

See independent auditors' report on supplementary information.

| | | | | | | |
|--|--|--|--|--|--|--|
| | | | | | | |
|--|--|--|--|--|--|--|

| Property and Equipment Fund | Global Ministries | Water's Edge Network | Water's Edge West | Elimination | Total |
|-----------------------------------|----------------------|-------------------------|----------------------|-----------------------|----------------------|
| \$ 552,468 | \$ 598,802 | \$ 350,319 | \$ 6,085 | \$ - | \$ 224,639 |
| 164,000 | 686,000 | 248,060 | - | - | 2,128,684 |
| - | 407 | - | 1,523 | - | 668,059 |
| - | - | - | - | (192,651) | - |
| - | 713 | 30,347 | 3,627 | - | 174,383 |
| 716,468 | 1,285,922 | 628,726 | 11,235 | (192,651) | 3,195,765 |
| - | - | - | - | - | 11,000 |
| - | - | - | - | (4,058,442) | - |
| - | - | - | 4,400,781 | - | 33,068,752 |
| <u>\$ 716,468</u> | <u>\$ 1,285,922</u> | <u>\$ 628,726</u> | <u>\$ 4,412,016</u> | <u>\$ (4,251,093)</u> | <u>\$ 36,275,517</u> |
| \$ - | \$ 2,695 | \$ 9,657 | \$ 54,529 | \$ - | \$ 124,205 |
| - | - | - | 7,500 | - | 244,459 |
| 2,150 | 2,850 | - | 1,000 | - | 6,000 |
| - | - | - | 192,651 | (192,651) | - |
| - | - | 55,048 | - | - | 55,048 |
| 2,150 | 5,545 | 64,705 | 255,680 | (192,651) | 429,712 |
| - | - | 751,342 | 3,307,100 | (4,058,442) | - |
| - | - | 407,823 | - | - | 3,307,823 |
| 2,150 | 5,545 | 1,223,870 | 3,562,780 | (4,251,093) | 3,737,535 |
| 714,318 | - | (132,273) | (3,551,545) | - | 704,987 |
| - | - | (462,871) | 4,400,781 | - | 29,705,881 |
| 714,318 | - | (595,144) | 849,236 | - | 30,410,868 |
| - | 1,280,377 | - | - | - | 2,127,114 |
| 714,318 | 1,280,377 | (595,144) | 849,236 | - | 32,537,982 |
| <u>\$ 716,468</u> | <u>\$ 1,285,922</u> | <u>\$ 628,726</u> | <u>\$ 4,412,016</u> | <u>\$ (4,251,093)</u> | <u>\$ 36,275,517</u> |

CENTRAL WESLEYAN OF HOLLAND

Combining Schedule of Activities By Fund

For the Year Ended May 31, 2021

| | General Fund | Designated Fund | Donor Restricted Fund | Fixed Asset Fund |
|---|------------------|-------------------|-----------------------|----------------------|
| Support and revenues | | | | |
| Contributions | \$ 5,181,680 | \$ (23,033) | \$ 580,790 | \$ - |
| Paycheck Protection Program | - | - | - | - |
| Program donations | 40,574 | 24,172 | - | - |
| Net investment return | 25,177 | 129,941 | - | - |
| Rentals | 5,957 | - | - | - |
| Tuition | - | - | - | - |
| Food sales | - | 44,103 | - | - |
| Excess of assets acquired over liabilities assumed in acquisition of Captivate Church | - | - | - | 1,443,792 |
| Gain on sale of property and equipment | - | - | - | 263,446 |
| Change in fair value of time restricted beneficial interest in charitable remainder annuity trust | - | - | 2,000 | - |
| Transfers | (1,163,833) | 435,875 | (723,211) | 1,373,720 |
| Total support and revenues | 4,089,555 | 611,058 | (140,421) | 3,080,958 |
| Expenses | | | | |
| Personnel and benefits | 2,910,827 | - | - | - |
| Leadership and training | 100,262 | - | - | - |
| Administration | 110,386 | 6,461 | 199,207 | - |
| Worship Arts | 318,451 | (4,884) | 391 | - |
| Discipleship and spiritual formation | 62,385 | 78,141 | - | - |
| Facilities | 434,835 | (49,033) | (121,129) | (26,961) |
| Building | - | - | 209,038 | 348,282 |
| United Stewardship fund | 133,673 | - | - | - |
| Missions | - | - | 5,786 | - |
| Water's Edge Network | 22,030 | - | - | - |
| Next Gen | 146,806 | - | - | - |
| Total expenses | 4,239,655 | 30,685 | 293,293 | 321,321 |
| Change in net assets | (150,100) | 580,373 | (433,714) | 2,759,637 |
| Net assets, beginning of year | 150,100 | 115,835 | 1,228,048 | 26,039,016 |
| Net assets, end of year | \$ - | \$ 696,208 | \$ 794,334 | \$ 28,798,653 |

See independent auditors' report on supplementary information.

| Property and Equipment Fund | Global Ministries | Water's Edge Network | Water's Edge West | Elimination | Total |
|-----------------------------|-------------------|----------------------|-------------------|-------------|---------------|
| \$ - | \$ 524,264 | \$ 1,942,949 | \$ 955,730 | \$ - | \$ 9,162,380 |
| - | - | - | 94,700 | - | 94,700 |
| 10,421 | - | 47,332 | 10,716 | - | 133,215 |
| - | - | 877 | 17,042 | - | 173,037 |
| 27,803 | - | - | 39,570 | - | 73,330 |
| - | - | - | 5,335 | - | 5,335 |
| - | - | - | - | - | 44,103 |
| - | - | (288,259) | - | - | 1,155,533 |
| - | - | - | - | - | 263,446 |
| - | - | - | - | - | 2,000 |
| 673,531 | 28,626 | (573,623) | (51,085) | - | - |
| 711,755 | 552,890 | 1,129,276 | 1,072,008 | - | 11,107,079 |
| - | - | 979,679 | 465,290 | - | 4,355,796 |
| - | - | 5,235 | - | - | 105,497 |
| - | - | 84,538 | 162,469 | - | 563,061 |
| 160,953 | - | 81,152 | - | - | 556,063 |
| 8,837 | - | 58,552 | 33,315 | - | 241,230 |
| 854,916 | - | 436,438 | 437,983 | - | 1,967,049 |
| 27,293 | - | - | (30,597) | - | 554,016 |
| - | - | 3,342 | - | - | 137,015 |
| - | 308,347 | 71,674 | 27,384 | - | 413,191 |
| - | - | - | - | - | 22,030 |
| - | 276,516 | 1,292 | - | - | 424,614 |
| 1,051,999 | 584,863 | 1,721,902 | 1,095,844 | - | 9,339,562 |
| (340,244) | (31,973) | (592,626) | (23,836) | - | 1,767,517 |
| 1,054,562 | 1,312,350 | (2,518) | 873,072 | - | 30,770,465 |
| \$ 714,318 | \$ 1,280,377 | \$ (595,144) | \$ 849,236 | \$ - | \$ 32,537,982 |