

THE COLONIAL PRESBYTERIAN CHURCH

FINANCIAL STATEMENTS

June 30, 2018 and 2017

THE COLONIAL PRESBYTERIAN CHURCH

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Corporate Trustees and the Session
The Colonial Presbyterian Church
Kansas City, Missouri

We have reviewed the accompanying statements of financial position of The Colonial Presbyterian Church as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Church's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Kansas City, Missouri
October 1, 2018

B E P O S I  I V E .

THE COLONIAL PRESBYTERIAN CHURCH
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017
(See Independent Accountants' Review Report - Unaudited)

	2018	2017
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 3,383,579	\$ 2,607,692
Total Current Assets	3,383,579	2,607,692
Prepaid expenses	17,037	8,310
Total Prepaid Expenses	17,037	8,310
Land, Buildings, and Equipment, net	13,589,315	13,942,709
Total Assets	\$ 16,989,931	\$ 16,558,711
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ -	\$ 32,993
Accrued expenses	44,678	54,226
Deferred revenues	35,341	32,040
Current portion of long-term debt	1,870	2,340
Total Current Liabilities	81,889	121,599
Long-Term Debt, less current portion	-	2,098
Total Liabilities	81,889	123,697
Net Assets:		
Unrestricted -		
Net investment in land, buildings, and equipment	13,589,315	13,942,709
Designated	336,239	344,822
Undesignated	(2,993)	110,513
Total Unrestricted Net Assets	13,922,561	14,398,044
Temporarily restricted	2,985,481	2,036,970
Total Net Assets	16,908,042	16,435,014
Total Liabilities and Net Assets	\$ 16,989,931	\$ 16,558,711

See accompanying notes and accountants' review report.

B E P O S I  I V E .

THE COLONIAL PRESBYTERIAN CHURCH
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2018
(See Independent Accountants' Review Report - Unaudited)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues:			
Contributions -			
Tithes and offerings	\$ 4,375,499	\$ 227,383	\$ 4,602,882
Building campaign	-	1,165,126	1,165,126
Missions	-	370,605	370,605
Preschool	-	34,383	34,383
Revenue -			
Preschool, daycare tuition, and fees	756,328	-	756,328
Land transaction proceeds	180,013	-	180,013
Insurance proceeds	71,472	-	71,472
Interest income	10,198	-	10,198
Miscellaneous income	26,332	-	26,332
Net assets released from restrictions	<u>848,986</u>	<u>(848,986)</u>	<u>-</u>
Total Support and Revenues	<u>6,268,828</u>	<u>948,511</u>	<u>7,217,339</u>
Expenses:			
Program Services -			
Ministry	3,710,135	-	3,710,135
Missions	1,399,484	-	1,399,484
Preschool	<u>1,018,033</u>	<u>-</u>	<u>1,018,033</u>
Total program services	6,127,652	-	6,127,652
General and administrative	<u>616,659</u>	<u>-</u>	<u>616,659</u>
Total Expenses	<u>6,744,311</u>	<u>-</u>	<u>6,744,311</u>
Change In Net Assets	(475,483)	948,511	473,028
Net Assets, beginning of year	<u>14,398,044</u>	<u>2,036,970</u>	<u>16,435,014</u>
Net Assets, end of year	<u>\$ 13,922,561</u>	<u>\$ 2,985,481</u>	<u>\$ 16,908,042</u>

See accompanying notes and accountants' review report.

B E P O S I  I V E .

THE COLONIAL PRESBYTERIAN CHURCH
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2017
(See Independent Accountants' Review Report - Unaudited)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues:			
Contributions -			
Tithes and offerings	\$ 4,651,724	\$ 427,265	\$ 5,078,989
Building campaign	-	1,754,246	1,754,246
Missions	-	451,916	451,916
Preschool	-	47,305	47,305
Revenue -			
Preschool, daycare tuition, and fees	781,839	-	781,839
Interest income	5,499	-	5,499
Miscellaneous income	65,190	-	65,190
Gain on sale of land	988,734	-	988,734
Net assets released from restrictions	<u>963,172</u>	<u>(963,172)</u>	<u>-</u>
Total Support and Revenues	<u>7,456,158</u>	<u>1,717,560</u>	<u>9,173,718</u>
 Expenses:			
Program Services -			
Ministry	3,798,853	-	3,798,853
Missions	1,427,650	-	1,427,650
Preschool	<u>998,254</u>	<u>-</u>	<u>998,254</u>
Total program services	6,224,757	-	6,224,757
 General and administrative	<u>651,970</u>	<u>-</u>	<u>651,970</u>
Total Expenses	<u>6,876,727</u>	<u>-</u>	<u>6,876,727</u>
 Change In Net Assets	579,431	1,717,560	2,296,991
 Net Assets, beginning of year	<u>13,818,613</u>	<u>319,410</u>	<u>14,138,023</u>
Net Assets, end of year	<u>\$ 14,398,044</u>	<u>\$ 2,036,970</u>	<u>\$ 16,435,014</u>

See accompanying notes and accountants' review report.

B E P O S I  I V E .

THE COLONIAL PRESBYTERIAN CHURCH
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2018 and 2017
(See Independent Accountants' Review Report)

	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	\$ 473,028	\$ 2,296,991
Adjustments to reconcile change in net assets to net cash flows used in operating activities -		
Contributions restricted for building program	(1,165,126)	(1,754,246)
Depreciation and amortization	458,234	485,291
Realized (gain) loss on sale of land	-	(988,734)
Changes in operating assets and liabilities -		
Prepaid expenses	(8,727)	34,391
Accounts payable	(32,993)	(6,240)
Accrued expenses	(9,548)	32,316
Deferred revenues	3,301	4,732
Net Cash Used in Operating Activities	(281,831)	104,501
 Cash Flows from Investing Activities:		
Sale of property and equipment	-	1,741,455
Purchase of property and equipment	(104,840)	(222,647)
Net Cash Provided by (Used In) Investing Activities	(104,840)	1,518,808
 Cash Flows from Financing Activities:		
Contributions restricted for building program	1,165,126	1,754,246
Repayments on long-term debt	(2,568)	(2,233,558)
Net Cash Provided by Financing Activities	1,162,558	(479,312)
Net Change in Cash	775,887	1,143,997
Cash and Cash Equivalents, beginning of year	2,607,692	1,463,695
Cash and Cash Equivalents, end of year	\$ 3,383,579	\$ 2,607,692
Supplementary Disclosure of Cash Flow Information (Cash paid during the year for interest)	\$ -	\$ 39,856

See accompanying notes and accountants' review report.

B E P O S I  I V E .

THE COLONIAL PRESBYTERIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017
(See Independent Accountants' Review Report)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Colonial Presbyterian Church (the Church) was founded in the 1950's and incorporated as a Missouri non-profit corporation on February 28, 1959. The Church is voluntarily affiliated with the Evangelical Presbyterian Church (EPC).

The Church's donors and preschool/day care patrons are located throughout the greater Kansas City, Missouri area.

Basis of Accounting - The financial statements have been prepared on the accrual basis of accounting.

The Church is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets are those currently available for use in the Church's operations and those resources invested in land, buildings, and equipment.

Temporarily restricted net assets are those that are stipulated by donors for specific operating purposes, for special projects, or for the acquisition or construction of land, buildings, and equipment.

Permanently restricted amounts are those restricted by donors in perpetuity as endowments or irrevocable trusts. The Church had no permanently restricted net assets at June 30, 2018 and 2017.

Cash and Cash Equivalents - Cash and cash equivalents include cash in banks and in a mutual fund consisting of federal government securities that are readily convertible to cash.

Land, Buildings, and Equipment - Expenditures for buildings and equipment over a nominal amount are recorded at cost and depreciated over their estimated useful lives using the straight-line method. The estimated useful lives of the assets are as follows:

Buildings and improvements	25-50 years
Equipment and furnishings	3-10 years

THE COLONIAL PRESBYTERIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017
(See Independent Accountants' Review Report)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. All donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Materials and Services - Donated materials and equipment are reflected as contributions at their fair values at the date of receipt. Donated services, if any, include skilled services provided by volunteers and are recorded at fair value.

Advertising Costs - Advertising costs are charged to operations when incurred. Advertising expense was \$5,577 and \$16,135 for the years ended June 30, 2018 and 2017, respectively.

Expense Allocation - The costs of providing the various programs and supporting activities of the Church have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the program and supporting activities.

Tax Status - The Church is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and state law through the exemption of the national denomination. Contributions to the Church are tax deductible within the limitations prescribed by the Code. The Church has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code.

The Church recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

The Church is subject to income tax regulations in the U.S. federal jurisdiction and certain state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Church is no longer subject to income tax examinations by the applicable tax authorities for the years before 2015. If any were to be incurred, the Church's policy is to record penalties and interest assessed by income tax authorities as operating expenses.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE COLONIAL PRESBYTERIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017
(See Independent Accountants' Review Report)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Subsequent Events - Subsequent events have been evaluated through October 1, 2018, which is the date the financial statements were available to be issued.

NOTE B - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment included the following:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 19,492,795	19,387,955
Equipment and furnishings	<u>1,337,060</u>	<u>1,337,060</u>
	20,829,855	20,725,015
Less accumulated depreciation and amortization	<u>8,434,736</u>	<u>7,976,502</u>
	12,395,119	12,748,513
Land	<u>1,194,196</u>	<u>1,194,196</u>
Land, buildings and equipment, net	<u>\$ 13,589,315</u>	<u>\$13,942,709</u>

NOTE C - BANK LINE OF CREDIT

The Church has a \$500,000 line of credit with a bank. The line is collateralized by the assets of the Church. The note bears interest at a variable rate based on the Wall Street Journal Prime Rate (4.5% at June 30, 2018), and expires in December 2018. There were no borrowings on the line of credit during either year ended June 30, 2018 or 2017.

THE COLONIAL PRESBYTERIAN CHURCH
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(See Independent Accountants' Review Report)

NOTE D – LONG TERM DEBT

Long-term debt consisted of the following:	<u>2018</u>	<u>2017</u>
Note payable, collateralized by equipment, payable in monthly installments of \$195, at no interest, with a maturity in March 2019.	<u>\$ 1,870</u>	<u>\$ 4,438</u>
Less current portion	<u>-</u>	<u>2,340</u>
	<u>\$ 1,870</u>	<u>\$ 2,098</u>

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Net assets restricted by donor stipulations were held for the following purposes at June 30:

	<u>2018</u>	<u>2017</u>
Building projects	\$2,615,203	\$1,703,659
Ministry	214,832	220,575
Missions	107,196	65,069
Preschool	<u>48,250</u>	<u>47,667</u>
Total temporarily restricted net assets	<u>\$2,985,481</u>	<u>\$2,036,970</u>

Net assets released from temporary restrictions due to satisfaction of donor requirements were as follows for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Building projects	\$ 253,584	\$ 50,587
Ministry	233,125	460,134
Missions	328,479	417,506
Preschool	<u>33,798</u>	<u>34,945</u>
Total net assets released from restrictions	<u>\$ 848,986</u>	<u>\$ 963,172</u>

NOTE F - DESIGNATED NET ASSETS

Unrestricted net assets were designated for the following purposes at June 30:

	<u>2018</u>	<u>2017</u>
Capital projects	\$ 200,112	\$ 101,603
Ministry	83,807	180,317
Missions	<u>52,320</u>	<u>62,902</u>
Total designated net assets	<u>\$ 336,239</u>	<u>\$ 344,822</u>

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017
(See Independent Accountants' Review Report)

NOTE G - EMPLOYEE BENEFIT PLANS

The Church maintains a 401(k) retirement plan for covered employees that provides for voluntary salary deferral. The Church matches 33.3% of the first 6% of employee contributions. The Church contributed \$22,019 and \$22,470 to this plan for the years ended June 30, 2018 and 2017, respectively.

The Church also contributed to a 403(b) plan covering all clergy. This plan, which is administered by the EPC, allows for voluntary salary deferrals, and the Church contributes an amount equal to 10% of base salary and housing allowance. Benefit expenses under this plan were \$68,795 and \$53,399 for the years ended June 30, 2018 and 2017, respectively.

NOTE H - RELATED PARTY TRANSACTION

The Church paid a voluntary per capita fee to the EPC based on its voluntary affiliation with this organization. The Church paid \$66,980 and \$66,448 in fees related to this affiliation for the years ended June 30, 2018 and 2017, respectively.

NOTE I - CONCENTRATION OF RISK

The Church maintains accounts in two commercial banks. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each bank. Additionally, the Church has entered into a cash management repurchase agreement with the bank that results in funds over \$225,000 being temporarily invested in Federal Agency debt instruments that are not insured by the FDIC. At June 30, 2018 and 2017 the balance of this account invested in non-insured debt instruments was \$710,719 and \$641,949, respectively. In addition, \$2,569,111 and \$1,738,925, respectively, of the remaining balances with the banks are in excess of the FDIC insured limit at June 30, 2018 and 2017.