

IMMANUEL BAPTIST CHURCH  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2019

*BESTEN & DIERUF, PLLC*  
*CERTIFIED PUBLIC ACCOUNTANTS*

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INDEPENDENT AUDITORS' REPORT

To the Finance Committee of  
Immanuel Baptist Church  
Lexington, Kentucky

We have audited the accompanying financial statements of Immanuel Baptist Church (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Immanuel Baptist Church as of December 31, 2019 and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Lexington, Kentucky  
May 8, 2020

IMMANUEL BAPTIST CHURCH  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019

ASSETS	
CURRENT ASSETS	
Cash	\$ 1,813,821
Prepaid expense	-
TOTAL CURRENT ASSETS	1,813,821
INVESTMENTS	
D.G. Gridley annuity and life insurance policy	4,172
Mutual funds	1,025
Hilliard Lyons	24,529
Deaf endowment investments	21,560
TOTAL INVESTMENTS	51,286
PROPERTY AND EQUIPMENT	
Land	951,784
Land improvements	763,831
Buildings	17,243,744
Equipment	1,183,919
Vehicles	62,747
TOTAL PROPERTY AND EQUIPMENT	20,206,025
Allowance for depreciation	(10,163,791)
PROPERTY AND EQUIPMENT - NET	10,042,234
TOTAL ASSETS	\$ 11,907,341
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 144,107
Credit cards payable	57,694
Payroll taxes and benefits payable	16,494
Note payable - current portion	50,000
TOTAL CURRENT LIABILITIES	268,295
LONG TERM LIABILITIES	
Note payable - net of current portion	619,669
TOTAL LONG TERM LIABILITIES	619,669
NET ASSETS	
Without donor restrictions	10,350,946
With donor restrictions	668,431
TOTAL NET ASSETS	11,019,377
TOTAL LIABILITIES AND NET ASSETS	\$ 11,907,341

See Independent Auditors' Report and Notes to Financial Statements.

IMMANUEL BAPTIST CHURCH  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019

REVENUES	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>TOTAL</u>
Tithes and offerings	\$ 5,071,612	\$ -	\$ 5,071,612
Supporting revenue	297,094	-	297,094
Miscellaneous revenue	21,214	-	21,214
Sales revenue	67,860	-	67,860
Program revenue	246,543	-	246,543
Service revenue	33,732	-	33,732
Investment income	17,384	-	17,384
Unrealized gain (loss)	(4,310)	4,497	187
Designated contributions	-	657,610	657,610
Net assets released from restriction:			
Satisfaction of program restrictions	746,403	(746,403)	-
TOTAL REVENUES	<u>6,497,532</u>	<u>(84,296)</u>	<u>6,413,236</u>
EXPENSES			
Program services	5,197,269	-	5,197,269
Supporting services:			
Management and general administration	715,502	-	715,502
Fundraising	-	-	-
TOTAL EXPENSES	<u>5,912,771</u>	<u>-</u>	<u>5,912,771</u>
CHANGE IN NET ASSETS	584,761	(84,296)	500,465
TRANSFERS	(196,695)	196,695	-
NET ASSETS BEGINNING OF YEAR	<u>9,962,880</u>	<u>556,032</u>	<u>10,518,912</u>
NET ASSETS END OF YEAR	<u>\$ 10,350,946</u>	<u>\$ 668,431</u>	<u>\$ 11,019,377</u>

See Independent Auditors' Report and Notes to Financial Statements.

IMMANUEL BAPTIST CHURCH  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2019

EXPENDITURES	Program	Management and General	Fundraising	Total
Missions	\$ 793,761	\$ -	\$ -	\$ 793,761
Pastoral Ministry	15,970	-	-	15,970
Preschool Ministry	38,945	-	-	38,945
Children's Ministry	48,330	-	-	48,330
Student Ministry	85,820	-	-	85,820
College Ministry	36,016	-	-	36,016
Christian Education	43,206	-	-	43,206
ROC Ministry	135,102	-	-	135,102
Music Ministry	134,632	-	-	134,632
Senior Adults Ministry	1,634	-	-	1,634
Men's Ministry	252	-	-	252
Women's Ministry	14,335	-	-	14,335
Church Ministries	98,561	-	-	98,561
Church Childcare	29,738	-	-	29,738
Interns	39,116	-	-	39,116
Communications	132,202	-	-	132,202
Administration	-	349,281	-	349,281
Staff Misc.	42,023	-	-	42,023
Building & Grounds	746,838	-	-	746,838
Finance Committee	-	1,488	-	1,488
Personnel	1,842,229	281,926	-	2,124,155
Food Service	97,763	4,095	-	101,858
PDO	30,503	-	-	30,503
Book Store	-	-	-	-
Interest	43,817	1,835	-	45,652
Fees and Service Charges	-	62,092	-	62,092
Depreciation	341,231	14,785	-	356,016
Program Expenditures	405,245	-	-	405,245
TOTAL EXPENDITURES	<u>\$ 5,197,269</u>	<u>\$ 715,502</u>	<u>\$ -</u>	<u>\$ 5,912,771</u>

See Independent Auditors' Report and Notes to Financial Statements.

IMMANUEL BAPTIST CHURCH  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2019

OPERATING ACTIVITIES	
Change in net assets	\$ 500,465
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Unrealized (gain) loss	(187)
Depreciation	356,016
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	25
Prepaid expense	23,188
Increase (decrease) in:	
Accounts payable	(13,367)
Credit cards payable	15,728
Payroll taxes and benefits payable	(648)
CASH FLOWS FROM OPERATING ACTIVITIES	<u>881,220</u>
INVESTING ACTIVITIES	
Purchases of investments	(13,494)
Sales of investments	10,400
CASH FLOWS FROM INVESTING ACTIVITIES	<u>(3,094)</u>
FINANCING ACTIVITIES	
Payments on note payable	(380,234)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>(380,234)</u>
NET CHANGE IN CASH	497,892
CASH - BEGINNING OF YEAR	<u>1,315,929</u>
CASH - END OF YEAR	<u><u>\$ 1,813,821</u></u>
SUPPLEMENTAL CASH FLOW DISCLOSURES	
Cash paid for interest	\$ 45,652
Cash paid for income taxes	\$ -

See Independent Auditors' Report and Notes to Financial Statements.

IMMANUEL BAPTIST CHURCH  
NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ACTIVITIES

Immanuel Baptist Church (the Church) is a not-for-profit corporation established under the laws of the state of Kentucky and operates as a religious organization. The Church's mission is leading people to Jesus and nurturing them in their faith. The Church is supported primarily through contributions from members, thus changes in the economy of the Lexington, Kentucky area may impact the amount of contributions received.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation

The Church presents the accompanying financial statements in accordance with Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of the Church or the passage of time.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Church considers all highly liquid money market funds and certificates of deposit with original maturities of less than ninety days to be cash equivalents.

Accounts Receivable

The Church provides an allowance for doubtful accounts estimated based on historical collection experience and a review of the current status of accounts receivable. As of December 31, 2019, the Church had no accounts receivable. As such, no allowance has been recorded.

Contributions

The Church operates primarily on contributions from members. Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. Revenues received with donor imposed restrictions, or whose restrictions are met in the same reporting period, are reported as with donor restriction. Revenues with no restrictions are reported as without donor restriction when earned.

The Church reports gifts of cash, stock, land, building, and equipment, and other assets as being without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restriction that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Church reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.



IMMANUEL BAPTIST CHURCH  
NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Faith commitments are not solicited by the Church as legally binding contracts and are for reasonable budgeting purposes only. Members may increase or decrease their giving level as their financial situation changes. Therefore, the financial statements do not include these commitments as receivables.

Tax Status

The Church is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes has been made in the accompanying financial statements. The Church is, however, subject to income taxes on “unrelated business income,” of which management has determined there was none for the year ended December 31, 2019. As of December 31, 2019, the Church has no uncertain tax positions that qualify for disclosure in the financial statements.

Property and Equipment

Property is stated at cost, if purchased, and at estimated fair value if donated. Assets with an individual cost of \$5,000 or more and useful lives longer than one year are capitalized. Repairs and maintenance are charged to expense as incurred. Replacements and renovations are charged to expense as incurred. Management does not believe this policy of expensing replacements and renovations of existing fixed assets is materially different than accounting principles generally accepted in the United States of America. Depreciation has been computed on the straight-line method using the following asset lives:

Buildings	50 years
Land improvements	20 years
Equipment	3 to 10 years
Vehicles	5 years

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

In accordance with generally accepted accounting principles, the Church records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Donated Services

The Church does not record support, revenue, or expense from services contributed by volunteers. However, a number of volunteers have donated time and materials to various programs.

Advertising costs

The Church expenses advertising costs as incurred.

IMMANUEL BAPTIST CHURCH  
NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606, as amended)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. This updated standard becomes effective for the Church for the year ending December 31, 2019. The Church implemented this standard on January 1, 2019 with no material impact.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This standard will be effective for the Church for the year ending December 31, 2020.

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this standard should assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of *Topic 958, Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance, and 2) determining whether contribution is conditional. This standard will be effective for the Church for the year ending December 31, 2020.

The Church is currently in the process of evaluating the impact of adoption of ASU 2016-02 and ASU 2018-08 on the financial statements.

Date of Management's Review

The Church's subsequent events have been evaluated by management through May 8, 2020, which is the date the financial statements were available to be issued.

NOTE C – FAIR VALUE MEASUREMENTS

FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820 are described below.

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

IMMANUEL BAPTIST CHURCH  
NOTES TO FINANCIAL STATEMENTS

NOTE C – FAIR VALUE MEASUREMENTS - continued

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the Church's investments at fair value at December 31, 2019 on a recurring basis:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 24,529	\$ -	\$ -	\$ 24,529
Equities	12,677	-	-	12,677
Fixed income	9,908	-	-	9,908
D.G. Gridley annuity	-	4,172	-	4,172
Total	<u>\$ 47,114</u>	<u>\$ 4,172</u>	<u>\$ -</u>	<u>\$ 51,286</u>

NOTE D – INVESTMENTS

Investments at December 31, 2019 consist of the following:

	<u>Cost</u>	<u>Market</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Cash and cash equivalents	\$ 24,529	\$ 24,529	\$ -
Equities	10,788	12,677	1,889
Fixed income	9,527	9,908	381
Annuity	10,859	4,172	(6,687)
	<u>\$ 55,703</u>	<u>\$ 51,286</u>	<u>\$ (4,417)</u>

NOTE E – NOTE PAYABLE

On May 30, 2014, the Church entered into a note payable with Forcht Bank for \$1,530,936 which was scheduled to mature on September 1, 2015 with an adjusted LIBOR interest rate. The adjusted LIBOR rate equals the sum of the one month LIBOR rate plus 2.5%. The initial variable interest rate is 2.65% per annum and shall be adjusted monthly on the first day of each LIBOR interest period. The Church is required to make 14 consecutive interest only payments beginning on July 1, 2014, and commencing January 1, 2015, the Church shall make semiannual principal payments of \$25,000. The note payable has been renewed annually at each maturity date since inception. As of December 31, 2019, the balance of the loan is \$669,669. The note was renewed through October 2020 and interest was paid at 4.25% during 2019.

NOTE F – CONCENTRATION OF CREDIT RISK

The Church has a concentration of credit risk in that it periodically maintains cash deposits in a single financial institution in excess of amounts insured by the FDIC. The Church has not experienced any losses on such accounts and does not believe that it is subject to significant credit risk related to the accounts.

Although the Church is directly affected by economic conditions in the geographic area, management does not believe significant credit risk exists as of December 31, 2019.

IMMANUEL BAPTIST CHURCH  
NOTES TO FINANCIAL STATEMENTS

NOTE F – CONCENTRATION OF CREDIT RISK - continued

The Church's investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

NOTE G – RESTRICTIONS ON NET ASSETS

The Church receives restricted donations and restricts cash through action of the Finance Committee for use in various ministries and special projects. Net assets with donor restrictions represents monies that have varying restrictions placed on them by donors and some net assets that are restricted by the Finance Committee. The Church deems the classification of net assets restricted by the Finance Committee as with donor restrictions to be a conservative approach and not material to the financial statements as a whole. Certain beginning net asset balances were reclassified in accordance with ASU 2016-14 to reflect net assets consistent with the adoption of the accounting standard.

NOTE H - RETIREMENT PLAN

The Church has an annuity retirement plan for its employees. All full-time employees are eligible to participate in the plan after one year of employment, except for ordained ministers, who are eligible upon the date of their employment.

The Church contributes up to five percent of the employee's base salary on a one-to-one ratio based on the employee's contribution and all employees are fully vested on the date they participate in the plan. The annuity retirement cost to the Church for the year ended December 31, 2019 totaled \$67,345.

NOTE I - LEASES

The Church has entered into a lease agreement with the Lexington Christian Academy for classroom space to operate a campus for Kindergarten through 6th grade. The initial term of the lease was from January 1, 2003 through June 30, 2013. During 2010, the lease was extended through June 30, 2023. The lease agreement requires an annual payment of \$120,000 in nine monthly installments paid each October through June, adjusted annually each January by the percentage increase in the Consumer Price Index – All Cities as published by the U.S. Department of Labor, limited to an annual increase of 6%. The lease was amended beginning July 1, 2017 to include certain additional facilities of the Church. Income from the lease agreement for the year ended December 31, 2019 totaled \$149,282.

NOTE J – COMMITMENTS

The Church entered into an agreement commencing June 8, 2015 with WLEX Broadcasting for broadcasting services through December 31, 2019. The agreement requires payments of \$2,261 each broadcast increasing by 3% each year under the agreement. Total expenses related to this agreement for 2019 were \$116,789. The agreement was renewed for three additional years in 2018 with 2018 fees equaling 2019, with a 2% increase in 2020, and a 3% increase in 2021.

IMMANUEL BAPTIST CHURCH  
NOTES TO FINANCIAL STATEMENTS

NOTE K – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Church's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of program restrictions within one year of the statement of financial position date.

Financial assets at year-end	\$ 1,865,107
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted and designated by Finance Committee	(646,871)
Donor-restricted for KBF Endowment	<u>(21,560)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,196,676</u>

The Church is primarily funded by contributions and has some program and sales income. Contributions may contain donor imposed restrictions. The Church generally maintains sufficient cash to meet its responsibility to donor imposed restrictions.

NOTE L – SUBSEQUENT EVENTS

As of March 2020, the coronavirus pandemic (COVID-19) is adversely affecting, and is expected to continue to adversely affect, our overall operations. We have experienced, and expect to continue to experience, pressure on cash flow and stress on our workforce, including our ability to retain employees and their ability to execute their job responsibilities.

As a result of COVID-19, we have been unable to continue business as usual. As a result, we have had to conduct sermon's online and other outreach has been limited. There is uncertainty around the duration and breadth of the COVID-19 pandemic and as a result the ultimate impact on our financial condition and operating results cannot be reasonably estimated at this time.

Public health officials have recommended and mandated precautions to mitigate the spread of COVID-19, including prohibitions on congregating in heavily populated areas and shelter-in-place orders or similar measures. As a result, we have temporarily closed or reduced certain elements of our operations since March 2020. Our results will be adversely impacted by these actions taken to contain or treat the impact of COVID-19, and the extent of such impact will depend on future developments, which are highly uncertain and cannot be predicted.

While we expect the impacts of COVID-19 to have an adverse effect on our business, financial condition and results of operations, we are unable to predict the extent or nature of these impacts at this time.