

**HARVEST COMMUNITY CHURCH, INC.**

**FINANCIAL STATEMENTS - UNAUDITED**

**YEAR ENDED JUNE 30, 2019**

**SMITH, BERTOCCHI, ARBAUGH & HALL, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

To The Board Members  
Harvest Community Church, Inc.  
Kittanning, Pennsylvania

We have reviewed the accompanying financial statements of Harvest Community Church, Inc., (a Pennsylvania nonprofit corporation), which comprise the statement of assets, liabilities and net assets—modified cash basis as of June 30, 2019, and the related statements of revenues, expenses and other changes in net assets—modified cash basis, functional expenses—modified cash basis and cash flows—modified cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company 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 the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

**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 the modified cash basis of accounting. 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 accordance with the modified cash basis of accounting.

**Basis of Accounting**

We draw attention to Note A in the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

*Smith, Bertocchi, Arlough & Hall, P.C.*

June 30, 2020

**HARVEST COMMUNITY CHURCH, INC.**

**STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS – MODIFIED CASH BASIS**

**JUNE 30, 2019**

	<u>2019</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash on Hand and in Banks	
Petty Cash .....	\$ 103
Prepaid Cards .....	865
Online .....	33,050
Operating .....	227,576
Emergency Fund .....	182,880
Savings .....	<u>421,644</u>
Total Cash on Hand and in Banks .....	866,118
Advances for Missions Trips, etc. ....	5,042
Certificates of Deposit .....	<u>35,608</u>
Total Current Assets .....	<u>906,768</u>
<b>DEPRECIABLE ASSETS</b>	
Land, Buildings and Improvements .....	1,430,641
Furniture and Equipment .....	333,599
Vehicles .....	12,154
Loan Financing Costs .....	<u>5,523</u>
	1,781,917
Less: Accumulated Depreciation .....	<u>(664,048)</u>
Total Depreciable Assets .....	<u>1,117,869</u>
<b>TOTAL ASSETS</b> .....	<u>\$ 2,024,637</u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Payroll Taxes Payable .....	\$ 6,525
Credit Cards .....	20,154
Current Portion of Long-Term Debt .....	<u>14,125</u>
Total Current Liabilities .....	<u>40,804</u>
<b>LONG-TERM LIABILITIES</b>	
Credit Line .....	49,240
Mortgages .....	97,438
Installment loans payable, less current portion .....	<u>(14,125)</u>
Total Long-Term Liabilities .....	<u>132,553</u>
<b>TOTAL LIABILITIES</b> .....	173,357
<b>UNRESTRICTED NET ASSETS</b> .....	<u>1,851,280</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b> .....	<u>\$ 2,024,637</u>

See accompanying notes and independent accountants' review report.

**HARVEST COMMUNITY CHURCH, INC.**

**STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES  
IN NET ASSETS - MODIFIED CASH BASIS**

**FOR THE YEAR ENDED JUNE 30, 2019**

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	<u><b>2019</b></u>
<b>REVENUES</b>	
Offerings.....	\$ 1,934,759
Daycare.....	400,949
Miscellaneous.....	49,119
Special Missions.....	30,528
Interest.....	<u>408</u>
<b>TOTAL REVENUE.....</b>	<u><b>2,415,763</b></u>
<b>EXPENSES</b>	
Program Services.....	1,731,912
Management and General.....	96,252
Fundraising.....	<u>2,584</u>
<b>TOTAL EXPENSES.....</b>	<u><b>1,830,748</b></u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES.....</b>	<b>585,015</b>
<b>OTHER INCOME AND EXPENSE .....</b>	<u><b>0</b></u>
<b>CHANGE IN NET ASSETS.....</b>	<u><b>585,015</b></u>
<b>NET ASSETS, BEGINNING OF YEAR .....</b>	<u><b>1,266,265</b></u>
<b>NET ASSETS, END OF YEAR .....</b>	<u><b>\$ 1,851,280</b></u>

See accompanying notes and independent accountants' review report.

**HARVEST COMMUNITY CHURCH, INC.**

**STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS**

**FOR THE YEAR ENDED JUNE 30, 2019**

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	<u>2019</u>
<b>OPERATING ACTIVITIES</b>	
Increase in net assets .....	\$ 585,015
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization.....	68,470
Gain on sale of assets.....	0
Non-cash donations.....	0
Increase in advances .....	(1,424)
Increase in certificates of deposit .....	(97)
Increase in payroll liabilities.....	1,671
Increase in credit cards .....	<u>6,858</u>
Net Cash Provided by Operating Activities .....	<u>75,478</u>
<b>INVESTING ACTIVITIES</b>	
Depreciable assets .....	(86,345)
Non-cash donations of depreciable assets.....	0
Proceeds from sale of assets.....	<u>0</u>
Net Cash Provided by Investing Activities .....	<u>(86,345)</u>
<b>FINANCING ACTIVITIES</b>	
Repayment of credit line .....	(33,412)
Repayment of debt.....	<u>(32,264)</u>
Net Cash Provided by Financing Activities .....	<u>(65,676)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS .....</b>	<b>508,472</b>
<b>BEGINNING CASH AND CASH EQUIVALENTS .....</b>	<b><u>357,646</u></b>
<b>ENDING CASH AND CASH EQUIVALENTS.....</b>	<b><u>\$ 866,118</u></b>
<b>SUPPLEMENTAL DISCLOSURES:</b>	
Interest paid .....	<u>\$ 9,126</u>

See accompanying notes and independent accountants' review report.

**HARVEST COMMUNITY CHURCH, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS**

**FOR THE YEAR ENDED JUNE 30, 2019**

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	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Fundraising</u></b>	<b><u>Total</u></b>
Comp and Benefits				
Pastors' Compensation	\$ 574,532	\$ 17,124	\$ 0	\$ 591,656
Staff Compensation	<u>193,009</u>	<u>26,322</u>	<u>2,584</u>	<u>221,915</u>
Total Comp and Benefits	767,541	43,446	2,584	813,571
Missions	210,689	0	0	210,689
Church Ministries	179,543	0	0	179,543
Daycare Ministry	320,040	7,203	0	327,243
Occupancy	92,404	3,827	0	96,231
Depreciation and Amortization	65,731	2,739	0	68,470
Administration	62,493	37,642	0	100,135
Repairs and Maintenance	24,710	1,030	0	25,740
Fundraising	0	0	0	0
Interest	<u>8,761</u>	<u>365</u>	<u>0</u>	<u>9,126</u>
Total Expenses	<u>\$ 1,731,912</u>	<u>\$ 96,252</u>	<u>\$ 2,584</u>	<u>\$ 1,830,748</u>

See accompanying notes and independent accountants' review report.

**HARVEST COMMUNITY CHURCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

The Harvest Community Church ("HCC"), located in Kittanning, PA, is a Pennsylvania nonprofit corporation formed on October 15, 1998 to "proclaim the gospel of Jesus Christ throughout the world." As a church, HCC is automatically exempt from taxation under the Internal Revenue Code.

Basis of Accounting

The financial statements of the Organization have been prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Modifications to the cash basis of accounting include recording property and equipment and its related depreciation and accruing for payroll taxes. Accordingly, revenue is recognized when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred.

Basis of Presentation

HCC reports information regarding its financial position and activity according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property & Equipment

Fixed assets are comprised of land, buildings and improvements, furniture and equipment, vehicles and computers. It is the policy of HCC to capitalize expenditures for these items in excess of \$2,000. Lesser amounts are expensed. Property and equipment are carried at cost or, if donated, at fair value at the date of the donation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows: buildings and improvements over thirty-nine years; land improvements, such as paving, over fifteen years; renovations over fifteen years; furniture and equipment over ten years; vehicles over seven years; and computers over five years. One half of a year's depreciation is recognized in the years of acquisition and disposal. Loan refinancing costs totaling \$5,523 are being amortized over the respective loan terms.

Revenue Recognition

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

### Contributed Services

The Organization receives a substantial amount of services donated by its members in carrying out the Church's ministry. No amounts have been reflected in the financial statements for those services because they do not meet the criteria for recognition.

### Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code 501(c)(3) and Pennsylvania Nonprofit Corporation Law of 1988.

The most significant tax positions of the Organization are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business tax. All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities.

### Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

### **NOTE B - CASH**

The total cash held by the Organization, at June 30, 2019, includes \$143,158 in monies that are not covered by insurance provided by the federal government. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

### **NOTE C - CERTIFICATES OF DEPOSIT**

HCC has invested in three certificates of deposit with Nextier Bank. Two of the certificates were automatically renewed on October 12, 2018 at an annual percentage yield of .36% and will mature on October 12, 2019. One certificate was automatically renewed on March 27, 2019 at an annual percentage yield of .36% and will mature on March 27, 2020. As of June 30, 2019, the balances of the three certificates total \$35,511. The total values of the certificates of deposit are included in the total monies not insured by the federal government as disclosed in Note B.

### **NOTE D - PROPERTY AND EQUIPMENT**

The fixed assets are valued at original cost. The following is a summary of property, building and improvements, leasehold improvements, furniture and equipment and vehicles, and related accumulated depreciation:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land .....	\$ 114,344	\$ 0
Buildings and improvements .....	1,247,459	450,559
Leasehold improvements .....	68,837	10,101
Furniture and equipment .....	333,600	196,425
Vehicles.....	12,154	2,604
Loan Financing Costs.....	5,523	4,360
	<u>\$ 1,781,917</u>	<u>\$ 664,049</u>

The property at 143 Reed Road in Kittanning, PA at cost of \$1,118,881 has been pledged as collateral for a bank line of credit loan and mortgages at Indiana First Savings Bank.

## **NOTE E - INTENTIONS TO GIVE**

Faith promises and pledges do not meet the criteria for revenue recognition; therefore, they are not reflected as contributions in the statement of activities until the pledges are collected.

## **NOTE F - RESTRICTIONS ON NET ASSETS**

As of June 30, 2019, there were no restrictions on net assets.

## **NOTE G - RETIREMENT ARRANGEMENT WITH STAFF EMPLOYEES**

HCC has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers active employees of the organization that are at least 18 years of age and have worked a minimum average of 20 hours per week for 6 consecutive months. The organization matches contributions up to 3% of gross salaries to the plan for qualified employees who continue to work a minimum average of 20 hours per week. Employees may make contributions up to the maximum amount allowed by the Internal Revenue Code, if they wish. Plan expenses were \$18,980 for the year ended June 30, 2019.

## **NOTE H - LEASES**

The Organization entered into a 36 month operating lease for its copier on April 5, 2019. At the end of the lease the company has the option to purchase the equipment at Fair Market Value. The monthly lease payment is \$271.11.

The Organization entered into a 36 month operating lease for four (4) Apple Desktop Computers on July 14, 2017. At the end of the lease the company has the option to purchase the equipment at Fair Market Value. The monthly lease payment is \$265.09.

The Organization has an operating lease for its Indiana, PA location. The lease term expires on October 31, 2026. The lease can be cancelled by the tenant with 90 days written notice. For the year ending June 30, 2019, rent payments were \$15,600. Minimum lease payments under the operating lease are:

Years Ending June 30	
2020	15,100
2021	16,300
2022	17,500
2023	18,700
2024	19,900
Thereafter	<u>52,900</u>
	<u>\$ 140,400</u>

## **NOTE I - LINE OF CREDIT**

HCC has a line of credit with Indiana First Savings Bank dated July 14, 2017 with a maximum credit limit of \$150,000. The interest rate on the line of credit is currently 4.50%. The rate is based on the Wall Street Journal Prime plus 0.500% floating monthly. The line of credit is collateralized by the church property located at 143 Reed Road, Kittanning, PA. The credit line renews annually. The maturity date is April 14, 2020. The outstanding balance of the credit line as of June 30, 2019 is \$49,240.

## NOTE J - DEBT

HCC executed a new loan with Indiana First Savings Bank on January 20, 2016, consolidating several outstanding obligations. The initial amount of the note was \$146,500, and bears interest at a fixed rate of 4.50% over the first sixty months. The interest rate will reset each sixty months thereafter, based on the most recent current index, defined as the Pittsburgh Federal Home Loan Bank five year non-amortizing borrowing index taken on the first business day of each month, plus 3.75%. The note is collateralized by the church property located at 143 Reed Road, Kittanning, PA. The outstanding balance of this note as of June 30, 2019 is \$97,438.

Principal maturities on these mortgages for the years ending June 30:

2020	\$ 14,125
2021	14,774
2022	15,453
2023	<u>53,086</u>
	\$ 97,438

## NOTE K - FUNCTIONAL ALLOCATION OF EXPENSE

The costs of providing the various programs and 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.

## NOTE L - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 30, 2020, the date which the financial statements were available to be issued.

### COVID-19

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. The ultimate impact of COVID-19 on the financial performance of the Fund's investments is not reasonably estimable at this time.

### Paycheck Protection Program

On April 8, 2020 the Organization entered into a loan agreement in the amount of \$249,200 through the Paycheck Protection Program. The loan carries a term of 2 years with deferred payments for the first 6 months at an interest rate of 1%. Certain payments made within the 8 or alternative 24 week period may qualify for loan forgiveness.

### Heritage Investment Services

On July 25, 2019 the Organization purchased a Church Note through Heritage Investment Services Fund. The amount of the Note is \$450,000 for a term of 5 years and is to pay an interest rate of 4%, compounded quarterly. The note is an unsecured promissory note.