

*Statement of Cash Receipts
and Disbursements
Years Ended
December 31, 2015 and 2014*

Christ United Methodist Church, Inc.



Christ United Methodist Church, Inc.

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Independent Auditors' Report

Board of Directors
Christ United Methodist Church, Inc.

We have audited the accompanying financial statements of *Christ United Methodist Church, Inc.* (a non-profit organization) which comprise the statements of cash receipts and disbursements as of December 31, 2015 and 2014 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 the cash basis of accounting as described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is 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 auditors' 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 cash receipts and disbursements of *Christ United Methodist Church, Inc.* for the years ended December 31, 2015 and 2014, in accordance with the cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Ubelhart, Rogstad & Associates, P.C.

Chantilly, Virginia
September 28, 2016

Christ United Methodist Church

Statements of Cash Receipts and Disbursements

Year Ended December 31,	2015	2014
Cash Receipts		
Contributions - general, mission and board designated	\$ 2,095,331	\$ 2,201,500
Capital campaign contributions	234,239	207,675
Fundraising	236,010	200,301
Donor restricted contributions	92,477	56,281
Ministry program income	584,103	512,317
Construction loan draws	6,187,031	5,964,948
Sale of property and equipment	6,584	8,249
Other income	1,886	1,737
Total cash receipts	9,437,661	9,153,008
Cash Disbursements		
Administration - operations	246,429	197,967
Administration - staff support	452,461	394,275
Apportionments	137,101	154,697
Capital campaign	182,865	307,355
Capital costs	6,742,632	6,959,622
Communications	129,490	135,732
Connect	183,560	160,697
Fundraising	180,775	154,515
Kids ministry	165,712	149,942
Greentree - ministry	360,680	341,454
Mission - designated	101,375	123,096
Mortgage interest paid	553,476	92,275
Serve	72,444	80,038
Worship	303,677	266,377
Youth ministry	142,384	119,542
Total cash disbursements	9,955,061	9,637,584
Excess of cash receipts over disbursements	(517,400)	(484,576)
Cash - beginning of year	1,479,953	1,964,529
Cash - end of year	\$ 962,553	\$ 1,479,953

The accompanying notes are an integral part of this financial statement.

Christ United Methodist Church, Inc.

Notes to Statement of Cash Receipts and Disbursements

December 31, 2015 and 2014

1. Organization and Nature of Activities

Christ United Methodist Church, Inc. (Church) was established to operate exclusively for spiritual and charitable purposes. The Church operates in Fairfax Station, Virginia in a 49,446 square foot facility located on 25 acres of land, which it occupied in July 2015. The Church's mission is to worship, connect, and serve as a community. On September 5, 2008, the Church incorporated in the Commonwealth of Virginia as a nonstock corporation and all property of the Church was transferred to the corporation through a Deed of Gift filed by the Board of Trustees of the Church.

As part of the Church's mission, the Church operates a preschool facility, Greentree Christian Preschool, which is controlled by and housed in the Church. The operations of this Preschool are included in these financial statements.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statement of the Church have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, revenues are recognized when cash is received and expenses are recorded when cash is paid.

Cash and Cash Equivalents

Cash and cash equivalents include bank accounts and highly liquid money market accounts. From time-to-time portions of the bank account balances may consist of amounts that are in excess of the federally insured limit and, as a result, the Church is subject to a degree of credit risk. The Church's policy is to limit credit risk by depositing its funds with high quality financial institutions.

Income Tax Status

The Church is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code and is classified as an organization which is not a private foundation. Accordingly, the accompanying financial statements do not reflect disbursements for federal and state income taxes and the Church is not required to file income tax returns or information returns. Fiscal years ending on or after December 31, 2012 remain subject to examination by federal and state tax authorities.

Estimates

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of cash receipts and disbursements during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing this financial statement, the Church has evaluated events and transactions for potential recognition or disclosure through September 28, 2016, the date the financial statement were available to be issued.

3. Notes Payable

The Church entered into a construction loan on June 21, 2013 with a bank to finance construction of the new facility. The new loan was for a net total borrowings of \$11,948,580 and was modified September 15, 2014 to increase the loan \$506,560 to a total of \$12,455,140. The Church has an ongoing contract which was signed in 2006 with H&H Architects for the design of the new Church. It also has a contract with a general contractor to construct the new building. Construction commenced on September 30, 2013 and was completed in July 2015. Interest accrues on the unpaid principal for the first 36 months at the Prime Rate as published in the Wall Street Journal, plus 1% subject to a floor rate of 5.5%. Interest then accrues for the remainder of the loan term at the then applicable 5 year Treasury as the Weekly Average Yield of United States Treasury Securities, adjusted for a constant maturity of 5 years. During the initial 24 months term of this note, monthly interest only payments shall be due and payable on the principal advanced until June 20, 2015. For the following 12 months, monthly interest only payments shall be due and payable up to the conversion date of June 20, 2016. After conversion, equal monthly principal and interest payments in an amount sufficient to fully amortize the then outstanding principal balance based on a 30 year amortization schedule from the conversion date at the rate set forth above commencing on July 20, 2016, and continuing on the same day of each month thereafter to and including June 20, 2021. If not sooner, the entire balance of principal remaining unpaid, plus interest accrued, plus any fees and costs, if any, shall be due and payable in full on June 20, 2021. The Church has drawn on the loan in the amounts of 12,418,701 and 5,964,948 as of December 31, 2015 and 2014.

Future principal maturities are as follows for years ending December 31:

2016	\$	82,498
2017		171,945
2018		181,644
2019		191,890
2020		202,714
Thereafter		<u>11,588,010</u>
	\$	<u>12,418,701</u>

Interest expense for 2015 and 2014 was \$553,476 and \$92,275 respectively.

The construction loan requires the Church to deliver to the lender reviewed financial statements no later than 150 days after the close of its fiscal year. The loan document also requires the Church to meet certain financial ratios that are computed on an annual basis. At December 31, 2015 and 2014, the Church met all of the required financial ratios

The loan required the Church to deliver to the lender \$2,144,767 to be held in escrow by the lender to fund the initial development and construction expenses of the project. The account has been drawn down fully during 2015 for the use of the construction of the new Church.

The bank has required the Church to obtain a life insurance policy in the amount of \$2,000,000 for the lead Pastor. The bank is the beneficiary of the policy. The Church pays the premiums on the policy entered into on June 19, 2013.

The Church entered into a loan on September 21, 2015 with a bank to finance the potential requirement to build a traffic light on the main road in front of the Church if the Fairfax County Department of Public Works and Environmental Service require a light to be built. The loan is in the form of an Irrevocable Letter of Credit in the amount of \$234,413 issued to the Fairfax County Department of Public Works and Environmental Services. The Letter of Credit will automatically renew on a semi-annual basis. The maximum term for the Letter of Credit is ten years. A 1% annual fee will be assessed and collected for the Irrevocable Letter of Credit. The balance drawn at December 31, 2015 was \$-0-.

The Irrevocable Letter of Credit loan requires the Church to deliver to the lender annual financial statements no later than 120 days after the end of each fiscal year. In house/Church prepared statements must be signed by an authorized officer.

The Church obtained a loan commitment from another bank on December 2, 2015 to refinance the current loan in an amount not to exceed \$12,500,000. The loan would have a five year term with the first 36 monthly payments of the loan. The loan closed in June 2016 for \$12,500,000 and a short term loan of \$32,083.

4. Pension Plan

The Church sponsors a 403(b)(7) retirement plan for all part time and full-time permanent employees. The Church makes an annual contribution of 3% of an eligible employee's salary. The Church made total contributions of \$15,771 and \$13,489 for the years ended December 31, 2015 and 2014, respectively.

5. Affiliation Agreement

The Church is affiliated with the United Methodist Church. The United Methodist Church operates in an informal oversight capacity to the Church and its mission is to make disciples of Jesus Christ for the transformation of the world. The Church contributed \$137,101 and \$154,697 during the years ended December 31, 2015 and 2014, respectively to the United Methodist Church by way of apportionments for various funds.

6. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

7. Leases

The Church entered into a lease agreement effective March 20, 2013 to lease its former land, building and improvements that were conveyed to the new owner. The initial lease term ended August 31, 2014 with an option to renew the lease for one additional period of time of one to seven calendar months as long as the lease agreement is not in default. The Church renewed the lease and was on a month to month lease. The Church gave notice and terminated the lease July 31, 2015. The lease agreement called for base rent of \$25,000 per month over the lease term and the Church was responsible for all operating costs of the facility including repairs, maintenance, utilities, insurance, and any other operating costs during the term of the lease. At December 31, 2015 and 2014, rent expense under the lease term was \$175,000 and \$300,000, respectively.

The Church leases office equipment under operating leases for a term of three years. The leases sets forth a base payment amount with additional amounts due based on usage. The following is a schedule of future minimum payments under these agreements:

2016	\$	15,289
2017		6,996
2018		4,081
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	\$	26,366
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