

GRACE CHURCH

GREENVILLE, SOUTH CAROLINA

Financial Statements

June 30, 2016

(With Independent Auditors' Report Thereon)

**GRACE CHURCH
GREENVILLE, SOUTH CAROLINA
JUNE 30, 2016**

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MARTIN · SMITH

& COMPANY CPAs

INDEPENDENT AUDITORS' REPORT

Board of Elders
Grace Church
Greenville, South Carolina

Report on the Financial Statements

We have audited the accompanying statement of financial position of Grace Church (a nonprofit organization) as of June 30, 2016 and the related statements of activities and cash flows for the year then ended.

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 the 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 Grace Church as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Martin Smith and Company CPAs PA

August 29, 2016

Member: American Institute of Certified Public Accountants • South Carolina Association of Certified Public Accountants

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**GRACE CHURCH
GREENVILLE, SOUTH CAROLINA
STATEMENT OF FINANCIAL POSITION
June 30, 2016**

ASSETS

Current assets:	
Cash and cash equivalents (Note 2)	\$ 1,427,963
Prepaid and other current assets	101,823
Total current assets	<u>1,529,786</u>
Property and equipment, net (Note 3)	<u>20,874,115</u>
Total assets	<u><u>\$ 22,403,901</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 323,551
Current portion of notes payable (Note 5)	453,080
Total current liabilities	<u>776,631</u>
Notes payable, less current portion (Note 5)	<u>7,271,280</u>
Total liabilities	<u>8,047,911</u>
Net assets:	
Unrestricted	
Investment in property and equipment, net of related debt	13,149,755
Designated for capital project (Note 3)	340,000
Other unrestricted	762,991
	<u>14,252,746</u>
Temporarily restricted	<u>103,244</u>
Total net assets	<u>14,355,990</u>
Commitments and contingencies (Notes 5, 6 and 8)	
Total liabilities and net assets	<u><u>\$ 22,403,901</u></u>

See accompanying notes to financial statements.

**GRACE CHURCH
GREENVILLE, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
For the Twelve Months Ended June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Contributions	\$ 10,042,111	\$ 405,360	\$ 10,447,471
Interest income	2,072	-	2,072
Other income	385,863	-	385,863
Gain on sale of property	233,133	-	233,133
Net assets released from restrictions (Note 9)	<u>395,897</u>	<u>(395,897)</u>	<u>-</u>
Total revenue and support	<u>11,059,076</u>	<u>9,463</u>	<u>11,068,539</u>
Expenses:			
Program services:			
Worship - ministry services	1,943,113	-	1,943,113
Pastoral care	2,235,289	-	2,235,289
Next Generation	2,014,571	-	2,014,571
Outreach	668,350	-	668,350
	<u>6,861,323</u>	<u>-0-</u>	<u>6,861,323</u>
Supporting services:			
General and administrative - ministry services	2,133,599	-	2,133,599
Fundraising	-	-	-
	<u>2,133,599</u>	<u>-0-</u>	<u>2,133,599</u>
Total expenses	<u>8,994,922</u>	<u>-0-</u>	<u>8,994,922</u>
Changes in net assets	2,064,154	9,463	2,073,617
Net assets at beginning of period	<u>12,188,592</u>	<u>93,781</u>	<u>12,282,373</u>
Net assets at end of period	<u>\$ 14,252,746</u>	<u>\$ 103,244</u>	<u>\$ 14,355,990</u>

See accompanying notes to financial statements.

**GRACE CHURCH
GREENVILLE, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
For the Twelve Months Ended June 30, 2016**

Cash flows from operating activities:	
Increase in net assets	\$ 2,073,617
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation (Note 3)	635,093
Amortization of deferred loan costs (Note 4)	11,790
Gain on sale of property and equipment	(233,133)
(Increase) decrease in assets:	
Prepaid and other current assets	(100,323)
Increase (decrease) in liabilities:	
Accounts payable	82,941
Contributions restricted for capital improvements and debt reduction	(11,754)
Net cash provided by operating activities	<u>2,458,231</u>
 Cash flows from investing activities:	
Proceeds on sale of property and equipment	353,133
Purchases of property and equipment	<u>(2,532,293)</u>
Net cash used in investing activities	<u>(2,179,160)</u>
 Cash flows from financing activities:	
Borrowings on notes payable	1,100,000
Principal payments on notes payable	(989,902)
Contributions restricted for capital improvements and debt reduction	11,754
Net cash provided by financing activities	<u>121,852</u>
 Net increase in cash	400,923
 Cash at beginning of period	<u>1,027,040</u>
 Cash at end of period	<u>\$ 1,427,963</u>
 Supplemental disclosures:	
Interest paid	<u>\$ 307,127</u>
 Noncash investing and financing activities:	
None.	

See accompanying notes to financial statements.