

HARVESTER CHRISTIAN CHURCH, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017

HARVESTER CHRISTIAN CHURCH, INC.

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Fick, Eggemeyer & Williamson

Certified Public Accountants, PC



MEMBERS OF THE
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Harvester Christian Church, Inc.

We have audited the accompanying financial statements of Harvester Christian Church, Inc. (a non-profit corporation), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities 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.

Auditors' 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 Harvester Christian Church, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of activities-by campus on page 9 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Fick, Eggemeyer & Williamson

Fick, Eggemeyer, and Williamson CPAs

St. Louis, Missouri
April 18, 2018

HARVESTER CHRISTIAN CHURCH, INC.
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 906,063
Certificates of deposit	349,340
Prepaid expenses	50,771
Other assets	1,296
	1,307,470
PROPERTY AND EQUIPMENT	
Land	1,110,920
Land improvements	731,697
Buildings and improvements	22,456,016
Leasehold improvements	191,780
Furniture and equipment	1,193,172
Vehicles	52,155
Less: accumulated depreciation	(6,681,300)
	19,054,440
NONCURRENT ASSETS	
Promissory notes - note 7	13,000
	13,000
Total noncurrent assets	
	13,000
Total assets	
	\$ 20,374,910
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 14,219
Credit card payable	69,056
Salaries payable	64,148
Other current liabilities	1,100
Note payable - current - note 2	471,884
	620,407
NONCURRENT LIABILITIES	
Note payable, less current maturities - note 2	11,294,310
	11,294,310
Total noncurrent liabilities	
	11,294,310
Total liabilities	
	11,914,717
NET ASSETS	
Unrestricted	8,335,220
Temporarily restricted	84,973
Permanently restricted	40,000
	8,460,193
Total net assets	
	8,460,193
Total liabilities and net assets	
	\$ 20,374,910

See accompanying notes and independent auditors' report

HARVESTER CHRISTIAN CHURCH, INC.
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
General fund income	\$ 5,876,365	\$ -	\$ -	\$ 5,876,365
Designated contributions	-	364,552	-	364,552
Interest income	3,419	-	-	3,419
Other income	19,050	-	-	19,050
Non-cash contributions	606,786	-	-	606,786
Total support and revenue	6,505,620	364,552	-	6,870,172
Net assets released from restrictions	360,361	(360,361)	-	-
Total	6,865,981	4,191	-	6,870,172
Operating expenses:				
Administration	400,680	-	-	400,680
Facilities	322,524	-	-	322,524
Payroll	2,398,008	-	-	2,398,008
Staff expense	469,129	-	-	469,129
Interest expense	532,755	-	-	532,755
Loss on disposal of assets	122,405	-	-	122,405
Ministry	463,143	-	-	463,143
Missions	543,350	-	-	543,350
Depreciation	703,688	-	-	703,688
Non-cash expense	606,786	-	-	606,786
Total operating expenses	6,562,468	-	-	6,562,468
Change in net assets	303,513	4,191	-	307,704
Net assets, beginning of year	8,031,707	80,782	40,000	8,152,489
Net assets, end of year	\$ 8,335,220	\$ 84,973	\$ 40,000	\$ 8,460,193

See accompanying notes and independent auditors' report

HARVESTER CHRISTIAN CHURCH
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 307,704
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	703,688
Loss on disposal of fixed assets	122,405
Changes in assets and liabilities:	
(Increase) decrease in prepaid expenses	(3,378)
(Increase) decrease in other assets	5,138
(Increase) decrease in promissory notes	8,000
Increase (decrease) in accounts payable	3,566
Increase (decrease) in salaries payable	15,901
Increase (decrease) in credit cards payable	7,888
Increase (decrease) in other current liabilities	(200)
Net cash provided by (used in) operating activities	<u>1,170,712</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of certificates of deposit	(305,666)
Purchases of property and equipment	<u>(159,097)</u>
Net cash provided by (used in) investing activities	<u>(464,763)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on long-term debt	<u>(440,043)</u>
Net cash provided by (used in) financing activities	<u>(440,043)</u>
Net increase (decrease) in cash and cash equivalents	265,906
Cash and cash equivalents, beginning of year	<u>640,157</u>
Cash and cash equivalents, end of year	<u><u>\$ 906,063</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:	
Cash paid during the year for interest	<u><u>\$ 532,755</u></u>

See accompanying notes and independent auditors' report

HARVESTER CHRISTIAN CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Harvester Christian Church, Inc. (The Church), a Missouri non-profit corporation, is organized as a church. The Church conducts regular worship services, supports missionaries abroad, and oversees various educational and benevolent programs.

Basis of Accounting

The financial statements of the Church have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

The Church's financial statement presentation complies with the recommendations of the Financial Accounting Standards Board. The Church is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets - represent resources over which the Board of Directors has unlimited discretionary control to carry out the activities of the Church in accordance with the Articles of Incorporation and By-Laws.

Temporarily Restricted Net Assets - represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the Church or by the passage of time.

Permanently Restricted Net Assets - are subject to donor-imposed stipulations that the net assets be retained and invested permanently. The Church had \$40,000 in permanently restricted net assets as of December 31, 2017.

Contribution Recognition

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions or grants are recognized. All other donor-restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

HARVESTER CHRISTIAN CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Inventories

While the Church has books or audio products held for resale at certain times, the value is immaterial to the financial statements, and the Church elects not to track that inventory.

Fixed Assets and Depreciation

Fixed assets are recorded at cost or, in the case of donated property, at their estimated fair market value at the date of the donation. Depreciation of fixed assets is provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives of 5 to 40 years have been used, depending on the type of asset. Expenditures for repairs and maintenance are charged to operating expense as incurred. Depreciation expense for the year ended December 31, 2017, was \$703,688.

Income Taxes

The Church is exempt from income taxes pursuant to section 501(c)(3) of the Internal Revenue Service Code. Therefore, no provision is made for taxes on income.

The Church adopted the provisions of Accounting for Uncertainty in Income Taxes on April 1, 2010. The adoption of that guidance resulted in no change to the financial statements for prior periods. As of December 31, 2017, no amounts have been recognized for uncertain tax positions. Any returns that the church would have prepared for tax years 2014 or earlier are now closed.

Cash and Cash Equivalents

Harvester Christian Church considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Certificates of deposit held at financial institutions with an original maturity in excess of 90 days are reported at cost and are not considered cash equivalents.

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.