

HARVESTER CHRISTIAN CHURCH, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018

HARVESTER CHRISTIAN CHURCH, INC.

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***Fick, Eggemeyer
& Williamson***
Certified Public Accountants, PC



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 nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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.

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 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 financial position of Harvester Christian Church, Inc. as of December 31, 2018, 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 11 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, and Williamson CPAs

St. Louis, Missouri
March 23, 2019

HARVESTER CHRISTIAN CHURCH, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 1,121,464
Certificates of deposit	148,984
Prepaid expenses	60,759
Other current assets	9,270
Right of use assets	<u>27,184</u>
Total current assets	<u>1,367,661</u>
NONCURRENT ASSETS	
Right of use assets, less current portion	21,394
Fixed assets, net of accumulated depreciation	<u>18,459,609</u>
Total noncurrent assets	<u>18,481,003</u>
Total assets	<u><u>\$ 19,848,664</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 108,563
Credit card payable	45,006
Salaries and taxes payable	62,536
Other current liabilities	1,200
Future minimum lease obligations	27,184
Note payable	<u>438,396</u>
Total current liabilities	<u>682,885</u>
NONCURRENT LIABILITIES	
Future minimum lease obligations, less current portion	21,394
Note payable, less current portion	<u>10,501,116</u>
Total noncurrent liabilities	<u>10,522,510</u>
Total liabilities	<u>11,205,395</u>
NET ASSETS	
Without donor restriction	8,588,569
With donor restriction	<u>54,700</u>
Total net assets	<u>8,643,269</u>
Total liabilities and net assets	<u><u>\$ 19,848,664</u></u>

See accompanying notes and independent auditors' report

HARVESTER CHRISTIAN CHURCH, INC.
STATEMENT OF ACTIVITIES
FOR YEAR ENDED DECEMBER 31, 2018

	Without Donor restriction	With Donor restriction	Total
SUPPORT AND REVENUE			
General fund donations	\$ 6,025,802	\$ -	\$ 6,025,802
Designated contributions	-	585,476	585,476
Other income	3,599	-	3,599
Noncash contributions	597,015	-	597,015
Total support and revenue	<u>6,626,416</u>	<u>585,476</u>	<u>7,211,892</u>
Net assets released from restrictions			
Satisfaction of restrictions	655,749	(655,749)	-
Total	<u>7,282,165</u>	<u>(70,273)</u>	<u>7,211,892</u>
EXPENSES			
Program expenses			
Saint Charles	4,542,195	-	4,542,195
Troy	269,415	-	269,415
Total program expenses	<u>4,811,610</u>	<u>-</u>	<u>4,811,610</u>
Support expenses			
General and administration			
Saint Charles	2,206,202	-	2,206,202
Troy	16,741	-	16,741
Fundraising	-	-	-
Total support expenses	<u>2,222,943</u>	<u>-</u>	<u>2,222,943</u>
Total expenses	<u>7,034,553</u>	<u>-</u>	<u>7,034,553</u>
Changes in net assets from operations	<u>247,612</u>	<u>(70,273)</u>	<u>177,339</u>
INVESTMENT ACTIVITIES			
Interest and dividend income	5,737	-	5,737
Total investment activities	<u>5,737</u>	<u>-</u>	<u>5,737</u>
Changes in net assets	253,349	(70,273)	183,076
Net assets - beginning of year	<u>8,335,220</u>	<u>124,973</u>	<u>8,460,193</u>
Net assets - end of year	<u>\$ 8,588,569</u>	<u>\$ 54,700</u>	<u>\$ 8,643,269</u>

See accompanying notes and independent auditors' report

HARVESTER CHRISTIAN CHURCH, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Programs		General and administration		Fundraising	Total
	Saint Charles	Troy	Saint Charles	Troy		
Administration	\$ 190,281	\$ 7,317	\$ 77,720	\$ 551	\$ -	\$ 275,869
Facilities	260,024	89,672	106,207	6,749	-	462,652
Payroll	1,634,296	102,384	667,529	7,706	-	2,411,915
Staff	367,463	23,051	150,091	1,735	-	542,340
Interest	-	-	457,366	-	-	457,366
Ministry	885,383	46,991	-	-	-	932,374
Missions	607,733	-	-	-	-	607,733
Depreciation	-	-	747,289	-	-	747,289
Noncash	597,015	-	-	-	-	597,015
TOTAL	\$ 4,542,195	\$ 269,415	\$ 2,206,202	\$ 16,741	\$ -	\$ 7,034,553

See accompanying notes and independent auditors' report

HARVESTER CHRISTIAN CHURCH, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 183,076
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	747,289
Changes in assets and liabilities:	
(Increase) decrease in prepaid expenses	(9,988)
(Increase) decrease in promissory notes	5,000
(Increase) decrease in right of use assets	71,414
Increase (decrease) in accounts payable	94,344
Increase (decrease) in credit card payable	(24,050)
Increase (decrease) in salaries and taxes payable	(1,612)
Increase (decrease) in other current liabilities	100
Increase (decrease) in future minimum lease obligations	<u>(71,414)</u>
Net cash provided by (used in) operating activities	<u>994,159</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from redemptions of certificates of deposit	200,382
Purchases of fixed assets	<u>(152,458)</u>
Net cash provided by (used in) investing activities	<u>47,924</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on note payable	<u>(826,682)</u>
Net cash provided by (used in) financing activities	<u>(826,682)</u>
Net increase (decrease) in cash and cash equivalents	<u>215,401</u>
Cash and cash equivalents - beginning of year	<u>906,063</u>
Cash and cash equivalents - end of year	<u>\$ 1,121,464</u>
Supplementary information:	
Cash paid during the year for interest	\$ 457,366

See accompanying notes and independent auditors' report

HARVESTER CHRISTIAN CHURCH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Church has adjusted the presentation of these statements accordingly.

Basis of Accounting

The financial statements of the Church have been prepared on the accrual basis in accordance with auditing standards generally accepted in the United States of America. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

The financial statements of the Church have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Church to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Church. These net assets may be used at the discretion of Church's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Church or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

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.

HARVESTER CHRISTIAN CHURCH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Contribution Recognition

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Measure of operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Church's program services and support services. Nonoperating activities are limited to resources that generate returns on investment and other activities considered to be of a more unusual or nonrecurring nature.

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, 2018, was \$747,289.

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, 2018, no amounts have been recognized for uncertain tax positions. Any returns that the church would have prepared for tax years 2015 or earlier are now closed.

Cash and Cash Equivalents

The 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.

HARVESTER CHRISTIAN CHURCH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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.

Compensated Absences

Full-time employees of the Church are entitled to paid vacations and personal days off, depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying statement of financial position. The Church's policy is to recognize the costs of compensated absences when actually paid.

Operating Leases

During 2018, the Church adopted ASU 2016-02 *Leases (Topic 842)*. The adoption of the guidance requires the recognition of the remaining value of operating leases as assets and liabilities on the statement of financial position as right of use assets and future minimum lease obligations, respectively.

The Church applied the change on a retrospective basis beginning in 2018. The effect of this change resulted in a \$71,414 decrease in right of use assets and a \$71,414 decrease in future minimum lease obligations on the statement of cash flows.

Note 2 - NOTE PAYABLE

On October 1, 2017, the Church refinanced its long-term note payable. The note is secured by Church real and personal property and accrues interest at a fixed rate of 4%. The note matures in October 2024, and the balance at December 31, 2018 was \$10,939,512.

Future maturities of note payable are as follows:

For the years ending December 31,	2019 \$	438,396
	2020	496,547
	2021	518,257
	2022	539,671
	2023 and beyond	8,946,641
	Total \$	<u>10,939,512</u>

HARVESTER CHRISTIAN CHURCH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 3 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between fundraising, administration or the appropriate program based on evaluations of the related benefits. Such allocations are determined by management on an equitable basis. Expenditures have been allocated based on time and effort or specific identification, when available.

Note 4 - CONCENTRATION OF CREDIT RISK

The Church held cash and certificates of deposit balances with Cass Bank of \$484,184 as of December 31, 2018. Of the balance, \$234,184 was in excess of the federally insured limit of \$250,000 per depositor.

The Church also held deposits totaling \$43,382 with the Church Development Fund, Inc. and \$101,149 with Christian Financial Resources, Inc. as of December 31, 2018. Both Church Development Fund, Inc. and Christian Financial Resources, Inc. are not insured by any federal government agency.

Note 5 - FIXED ASSETS

A summary of fixed assets as of December 31, 2018 follows:

Land improvements	\$	749,175
Buildings and improvements		22,553,306
Leasehold improvements		191,779
Furniture and equipment		1,230,863
Vehicles		52,155
Total depreciable property		24,777,278
Accumulated depreciation		(7,428,589)
Depreciated property, net		17,348,689
Land		1,110,920
Fixed assets, net	\$	18,459,609

Note 6 - STATEMENT OF ACTIVITIES - BY CAMPUS

The revenue and expenses of providing the various programs and other activities have been summarized by campus in the statement of activities. Costs are allocated between St. Charles and Troy campuses to provide greater detail and to supplement the financial statements.

HARVESTER CHRISTIAN CHURCH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 7 - NONCASH CONTRIBUTIONS

The Church received \$597,015 in non-cash contributions for the year ended December 31, 2018. These contributions are detailed as follows:

Food Pantry	\$ 585,225
Other items	<u>11,790</u>
Total	<u>\$ 597,015</u>

The food pantry receives food contributions directly and redistributes the food to families in need. The food pantry averages 135 families per week for 51 weeks at approximately \$85 in food distributed per visit.

Note 8 - OPERATING LEASES

The Church has entered into the following operating leases:

- A. On February 27, 2017, the Church extended the lease with RLP Development Company, Inc. for the Troy Campus location for an additional 24 months. Monthly lease payments are \$4,423.
- B. On March 5, 2017, the Church into a month to month lease with Great American Leasing Corporation for the use of a postage machine. Monthly lease payments are \$138.
- C. On February 25, 2016 the Church entered into a 60-month lease with Ricoh for the use of a printer. Minimum monthly lease payments are \$1,528.

Future minimum lease payments as of December 31, 2018 follow:

2019	\$ 27,184
2020	18,338
2021	<u>3,056</u>
Total	<u>\$ 48,578</u>

Operating lease payments for the year ended December 31, 2018 totaled \$93,208.

HARVESTER CHRISTIAN CHURCH
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2018

Note 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 are available for the following purposes or periods:

Restricted for:	Purpose	Periods
Benevolence	\$ 121	\$ -
Celebrate Recovery	14,579	-
Scholarship fund principal	-	40,000
Total	<u>\$ 14,700</u>	<u>\$ 40,000</u>

Note 10 - AVAILABILITY AND LIQUIDITY

The following represents the Church's financial assets at December 31, 2018:

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,121,464
Certificates of deposit	148,984
Total financial assets at year-end	<u>1,270,448</u>
Less amounts not available to be used within one year:	
Net assets with period restrictions in excess of one year	(40,000)
Net assets with purpose restrictions	-
Total amounts not available to be used within one year	<u>(40,000)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,230,448</u>

Note 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 23, 2019, the date which the financial statements were available for issue, and noted no reportable events.

HARVESTER CHRISTIAN CHURCH, INC.
SUPPLEMENTAL STATEMENT OF ACTIVITIES - BY CAMPUS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Saint Charles</u>	<u>Troy</u>	<u>Total</u>
SUPPORT AND REVENUE			
General fund income	\$ 5,693,130	\$ 332,672	\$ 6,025,802
Designated contributions	575,050	10,426	585,476
Other income	2,919	680	3,599
Non-cash contributions	597,015	-	597,015
	<u>6,868,114</u>	<u>343,778</u>	<u>7,211,892</u>
EXPENSES			
Administration	268,001	7,868	275,869
Facilities	366,231	96,421	462,652
Payroll	2,301,825	110,090	2,411,915
Staff expense	517,554	24,786	542,340
Interest expense	457,366	-	457,366
Ministry	885,383	46,991	932,374
Missions	607,733	-	607,733
Depreciation	747,289	-	747,289
Non-cash expense	597,015	-	597,015
	<u>6,748,397</u>	<u>286,156</u>	<u>7,034,553</u>
Change in net assets from operations	119,717	57,622	177,339
INVESTMENT ACTIVITIES			
Interest and dividends	5,737	-	5,737
	<u>5,737</u>	<u>-</u>	<u>5,737</u>
Change in net assets	<u>\$ 125,454</u>	<u>\$ 57,622</u>	<u>\$ 183,076</u>

See accompanying notes and independent auditors' report