

HARVESTER CHRISTIAN CHURCH, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020

HARVESTER CHRISTIAN CHURCH, INC.
CONTENTS

	<u>Pages</u>
Independent Auditors' Report	
Financial Statements	
Statement of Financial Position	1
Statement of Activities	2
Statement of Functional Expenses	3
Statement of Cash Flows	4
Notes to Financial Statements	5-9
Supplemental Statement of Activities - By Campus	10



***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 nonprofit organization), which comprise the statement of financial position as of December 31, 2020, 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, 2020, 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.

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 10, which is the responsibility of management, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Fick, Eggemeyer + Williamson

Fick, Eggemeyer, and Williamson CPAs
Saint Louis, Missouri
March 8, 2021

HARVESTER CHRISTIAN CHURCH, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 2,160,805
Certificate of deposit	42,275
Prepaid expenses	47,931
Right of use assets	<u>65,805</u>
Total current assets	<u>2,316,816</u>
NONCURRENT ASSETS	
Right of use assets, less current portion	13,882
Property and equipment, net of accumulated depreciation	<u>17,532,487</u>
Total noncurrent assets	<u>17,546,369</u>
Total assets	<u><u>\$ 19,863,185</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 77,815
Credit card payable	23,604
Salaries and taxes payable	106,635
Other current liabilities	3,733
Future minimum lease obligations	65,805
Note payable	<u>406,821</u>
Total current liabilities	<u>684,413</u>
NONCURRENT LIABILITIES	
Future minimum lease obligations, less current portion	13,882
Note payable, less current portion	<u>9,593,010</u>
Total noncurrent liabilities	<u>9,606,892</u>
Total liabilities	<u>10,291,305</u>
NET ASSETS	
Without donor restriction	9,422,868
With donor restriction	<u>149,012</u>
Total net assets	<u>9,571,880</u>
Total liabilities and net assets	<u><u>\$ 19,863,185</u></u>

See accompanying notes and independent auditors' report

HARVESTER CHRISTIAN CHURCH, INC.
STATEMENT OF ACTIVITIES
FOR YEAR ENDED DECEMBER 31, 2020

	Without Donor restriction	With Donor restriction	Total
SUPPORT AND REVENUE			
General fund donations	\$ 5,929,281	\$ -	\$ 5,929,281
Designated contributions	-	231,432	231,432
Other	561,166	-	561,166
Non-cash contributions	583,958	-	583,958
Total support and revenue	7,074,405	231,432	7,305,837
Net assets released from restrictions			
Satisfaction of restrictions	122,551	(122,551)	-
Total	7,196,956	108,881	7,305,837
EXPENSES			
Program expenses			
Saint Charles	4,258,394	-	4,258,394
Troy	281,213	-	281,213
Total program expenses	4,539,607	-	4,539,607
Support expenses			
General and administration			
Saint Charles	1,951,219	-	1,951,219
Troy	71,867	-	71,867
Fundraising	-	-	-
Total support expenses	2,023,086	-	2,023,086
Total expenses	6,562,693	-	6,562,693
Changes in net assets from operations	634,263	108,881	743,144
INVESTMENT ACTIVITIES			
Interest income	9,816	-	9,816
Total investment activities	9,816	-	9,816
Changes in net assets	644,079	108,881	752,960
Net assets - beginning of year	8,778,789	40,131	8,818,920
Net assets - end of year	\$ 9,422,868	\$ 149,012	\$ 9,571,880

See accompanying notes and independent auditors' report

HARVESTER CHRISTIAN CHURCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Programs		General and administration		Fundraising	Total
	Saint Charles	Troy	Saint Charles	Troy		
Administration	\$ 241,528	\$ 5,264	\$ 80,509	\$ 1,755	\$ -	\$ 329,056
Facilities	219,709	79,540	73,236	26,513	-	398,998
Payroll	1,863,923	115,178	621,308	38,392	-	2,638,801
Staff	385,202	15,623	128,401	5,207	-	534,433
Interest	-	-	381,243	-	-	381,243
Ministry	406,922	31,008	-	-	-	437,930
Missions	558,192	34,600	-	-	-	592,792
Depreciation	-	-	666,522	-	-	666,522
Non-cash	582,918	-	-	-	-	582,918
TOTAL	<u>\$ 4,258,394</u>	<u>\$ 281,213</u>	<u>\$ 1,951,219</u>	<u>\$ 71,867</u>	<u>\$ -</u>	<u>\$ 6,562,693</u>

See accompanying notes and independent auditors' report

HARVESTER CHRISTIAN CHURCH, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ 752,960
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	666,522
Debt forgiveness income - Paycheck Protection Program	(543,100)
Changes in assets and liabilities:	
(Increase) decrease in prepaid expenses	(40,913)
(Increase) decrease in right of use assets	91,073
Increase (decrease) in accounts payable	35,526
Increase (decrease) in credit card payable	14,041
Increase (decrease) in salaries and taxes payable	22,904
Increase (decrease) in other current liabilities	2,533
Increase (decrease) in future minimum lease obligations	<u>(91,073)</u>
Net cash provided by (used in) operating activities	<u>910,473</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from redemption of certificate of deposit	2,500
Additions to certificates of deposits	(1,014)
Purchases of property and equipment	<u>(193,311)</u>
Net cash provided by (used in) investing activities	<u>(191,825)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from note payable	543,100
Principal payments on note payable	<u>(423,969)</u>
Net cash provided by (used in) financing activities	<u>119,131</u>

Net increase (decrease) in cash and cash equivalents	<u>837,779</u>
Cash and cash equivalents - beginning of year	<u>1,323,026</u>
Cash and cash equivalents - end of year	<u><u>\$ 2,160,805</u></u>
Supplementary information:	
Cash paid during the year for interest	<u><u>\$ 381,243</u></u>

See accompanying notes and independent auditors' report

HARVESTER CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 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 the 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.

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 the 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.

Inventories

While the Church has books and audio products held for resale at certain times throughout the year, the value is immaterial to the financial statements. The Church has elected not to track the inventory.

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 a return on investment and other activities considered to be of a more unusual or nonrecurring nature.

HARVESTER CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

Property and Equipment

Property and equipment 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 property and equipment 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 expenses as incurred. Depreciation expense for the year ended December 31, 2020 was \$666,522.

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, 2020, no amounts have been recognized for uncertain tax positions. Any returns that the church would have prepared for tax years 2017 or prior 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.

Certificate of Deposit

Certificate 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.

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.

NOTE 2 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing programs and other activities have been summarized on a functional basis in the statement 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.

HARVESTER CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 - 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 – by campus. Costs are allocated between St. Charles and Troy campuses to provide greater detail and to supplement the financial statements.

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Church held cash balances with Cass Bank of \$1,384,052 as of December 31, 2020. Of the balance, \$1,134,052 was in excess of the federally insured limit of \$250,000 per depositor.

The Church also held deposits totaling \$42,275 with the Church Development Fund, Inc. and \$588,176 with Christian Financial Resources, Inc. as of December 31, 2020. Both Church Development Fund, Inc. and Christian Financial Resources, Inc. are not insured by any federal government agency.

NOTE 5 - NOTE PAYABLE

On November 27, 2019, the Church refinanced its note payable with Christian Financial Resource, Inc. The note is secured by the Church's real and personal property. The monthly loan payment is \$60,454 and accrues interest at a fixed rate of 3.5%. The note matures in December 2026, and the balance at December 31, 2020 was \$9,999,831. The Church is required to maintain four months of principal and interest payments in cash and cash equivalents. As of December 31, 2020, the required cash reserve was \$245,904. The Church is in compliance with the required cash reserve balance as of December 31, 2020.

In April 2020, the Church received loan proceeds in the amount of \$543,100 under the Paycheck Protection Program ("PPP"). The PPP is administered by the Small Business Administration. The loan and accrued interest are forgivable after eight to twenty-four weeks as long as the Church uses the loan proceeds for eligible purposes, such as payroll, benefits, rent, and utilities. The amount of loan forgiveness may be reduced if the Church reduces payroll during the eight-to-twenty-four-week period. The unforgiven portion of the PPP loan is payable over a two-year period at an interest rate of 1%, with a deferral of payments for the first six months. In November 2020, the Church was granted full forgiveness of the loan balance and accrued interest in the amount of \$546,102 which is recorded in other: support and revenue on the statement of activities. As of December 31, 2020, the loan balance was \$0.

Future maturities of note payable are as follows:

For the years ending December 31,		
2021	\$	406,821
2022		391,367
2023		405,483
2024		419,237
2025		435,230
2026		7,941,693
Total	\$	<u>9,999,831</u>

HARVESTER CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2020 follows:

Land improvements	\$ 845,260
Building and improvements	22,664,146
Leasehold improvement	199,841
Furniture and equipment	1,359,461
Vehicles	52,155
Total depreciable assets	25,120,863
Accumulated depreciation	(8,699,296)
Depreciable assets, net	16,421,567
Land	1,110,920
Property and equipment, net	<u>\$ 17,532,487</u>

NOTE 7 - OPERATING LEASES

The Church has entered into the following operating leases:

- A. On February 20, 2019, the Church extended the lease with RLP Development Company, Inc. for the Troy Campus location for an additional 36 months. Monthly lease payments are \$4,760.
- B. On March 5, 2017, the Church entered 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 copier. The minimum monthly lease payments are \$1,528.
- D. On February 25, 2016, the Church entered into a 60-month lease with GFI Digital for the use of a printer. The minimum monthly lease payments are \$279.

Future minimum lease payments as of December 31, 2020 follow:

2021	\$ 65,805
2022	10,974
2023	1,454
2024	1,454
Total	<u>\$ 79,687</u>

Operating lease payments for the year ended December 31, 2020 totaled \$103,862.

HARVESTER CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 are restricted as follows:

	Purpose	Periods
Benevolence	\$ 109,012	\$ -
Scholarship principal	-	40,000
Total	<u>\$ 109,012</u>	<u>\$ 40,000</u>

NOTE 9 - AVAILABILITY AND LIQUIDITY

The following represents the Church's financial assets at December 31, 2020:

Financial assets at year-end:	
Cash and cash equivalents	\$ 2,160,805
Certificate of deposit	<u>42,275</u>
Total financial assets at year-end	<u>2,203,080</u>
Less amounts not available to meet general expenditures within one year:	
Cash reserve for loan covenant	245,904
Net assets with period restrictions in excess of one year	40,000
Net assets with purpose restrictions	<u>109,012</u>
Total amounts not available to meet general expenditures within one year	<u>394,916</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,808,164</u>

NOTE 10 - NON-CASH CONTRIBUTIONS

The Church received \$583,958 in non-cash contributions for the food pantry, including the backpack program, and deaf interpretive services for the year ended December 31, 2020. The food pantry receives food contributions directly and redistributes the food to families in need. The food pantry averages 125 families per week for 51 weeks at approximately \$90 in food distributed per visit. The backpack program averaged 66 students per week for 10 weeks at approximately \$14 in distributions per visit.

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 8, 2021, the date which the financial statements were available for issue, and noted one reportable event. On January 6th, 2021, the Church was gifted a building and land in Ferguson, Missouri with an estimated fair market value of \$1,148,200.