

HARVESTER CHRISTIAN CHURCH, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2022

HARVESTER CHRISTIAN CHURCH, INC.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Harvester Christian Church, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harvester Christian Church, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Harvester Christian Church, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harvester Christian Church, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 is 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 CPAs

Fick, Eggemeyer, & Williamson CPAs
Saint Louis, Missouri
March 10, 2023

HARVESTER CHRISTIAN CHURCH, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 1,951,970
Certificate of deposit	41,463
Accounts receivable	34,465
Prepaid expenses	48,976
Right of use assets	<u>93,372</u>
Total current assets	<u>2,170,246</u>
NONCURRENT ASSETS	
Right of use assets, less current portion	125,030
Property and equipment, net of accumulated depreciation	<u>17,199,962</u>
Total noncurrent assets	<u>17,324,992</u>
Total assets	<u><u>\$ 19,495,238</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 52,156
Credit card payable	2,822
Salaries and taxes payable	106,449
Other current liabilities	7,167
Future minimum lease obligations	93,372
Note payable	<u>421,099</u>
Total current liabilities	<u>683,065</u>
NONCURRENT LIABILITIES	
Future minimum lease obligations, less current portion	125,030
Note payable, less current portion	<u>8,466,739</u>
Total noncurrent liabilities	<u>8,591,769</u>
Total liabilities	<u>9,274,834</u>
NET ASSETS	
Without donor restriction	9,453,633
With donor restriction	<u>766,771</u>
Total net assets	<u>10,220,404</u>
Total liabilities and net assets	<u><u>\$ 19,495,238</u></u>

See accompanying notes and independent auditors' report

HARVESTER CHRISTIAN CHURCH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor restriction	With Donor restriction	Total
SUPPORT AND REVENUE			
General fund donations	\$ 6,632,147	\$ -	\$ 6,632,147
Designated contributions	-	561,126	561,126
Other	19,059	-	19,059
Non-cash contributions	488,728	-	488,728
Total support and revenue	7,139,934	561,126	7,701,060
Net assets released from restrictions			
Satisfaction of restrictions	475,367	(475,367)	-
Total	7,615,301	85,759	7,701,060
EXPENSES			
Program expenses			
Saint Charles	5,882,413	-	5,882,413
Troy	349,197	-	349,197
Total program expenses	6,231,610	-	6,231,610
Support expenses			
General and administration			
Saint Charles	2,298,459	-	2,298,459
Troy	42,115	-	42,115
Fundraising	1,579	-	1,579
Total support expenses	2,342,153	-	2,342,153
Total expenses	8,573,763	-	8,573,763
Changes in net assets from operations	(958,462)	85,759	(872,703)
INVESTMENT ACTIVITIES			
Interest income	9,216	-	9,216
Total investment activities	9,216	-	9,216
Changes in net assets	(949,246)	85,759	(863,487)
Net assets - beginning of year	10,402,879	681,012	11,083,891
Net assets - end of year	\$ 9,453,633	\$ 766,771	\$ 10,220,404

See accompanying notes and independent auditors' report

HARVESTER CHRISTIAN CHURCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Programs		General and administration		Fundraising	Total
	Saint Charles	Troy	Saint Charles	Troy		
Administration	\$ 273,994	\$ 6,133	\$ 91,332	\$ 2,044	\$ 1,579	\$ 375,082
Facilities	329,722	92,655	111,301	30,885	-	564,563
Payroll	1,926,431	134,095	651,245	7,058	-	2,718,829
Staff	400,856	40,431	133,619	2,128	-	577,034
Interest	-	-	320,163	-	-	320,163
Ministry	870,765	37,795	-	-	-	908,560
Give Hope	730,995	38,088	-	-	-	769,083
Depreciation	-	-	703,749	-	-	703,749
Non-cash - The House Church	861,150	-	287,050	-	-	1,148,200
Non-cash - food pantry	488,500	-	-	-	-	488,500
TOTAL	\$ 5,882,413	\$ 349,197	\$ 2,298,459	\$ 42,115	\$ 1,579	\$ 8,573,763

See accompanying notes and independent auditors' report

HARVESTER CHRISTIAN CHURCH, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ (863,487)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	703,749
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(34,465)
(Increase) decrease in prepaid expenses	(16,554)
(Increase) decrease in other assets	1,148,200
(Increase) decrease in right of use assets	32,293
Increase (decrease) in accounts payable	(38,776)
Increase (decrease) in credit card payable	(5,626)
Increase (decrease) in salaries and taxes payable	(7,799)
Increase (decrease) in other current liabilities	(5,361)
Increase (decrease) in future minimum lease obligations	<u>(32,293)</u>
Net cash provided by (used in) operating activities	<u>879,881</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from redemption of certificate of deposit	(971)
Purchases of property and equipment	<u>(668,480)</u>
Net cash provided by (used in) investing activities	<u>(669,451)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on note payable	<u>(522,337)</u>
Net cash provided by (used in) financing activities	<u>(522,337)</u>

Net increase (decrease) in cash and cash equivalents	(311,907)
Cash and cash equivalents - beginning of year	<u>2,263,877</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,951,970</u></u>

Supplementary information:

Cash paid during the year for interest	<u><u>\$ 320,163</u></u>
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See accompanying notes and independent auditors' report

HARVESTER CHRISTIAN CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 elders.

Net assets with donor restrictions - Net assets that are 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, depending on the nature of the 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 clothing 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, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022, was \$703,749.

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, 2022, no amounts have been recognized for uncertain tax positions. Any returns that the Church would have prepared for tax years 2019 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.

Certificates of Deposit

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.

Revenue from Contracts with Customers

The Church recognizes revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. No contracts with customers were in place during the current year.

Compensated Absences

Full-time employees of the Church are entitled to paid time 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 paid.

Protested Tax Payment

A tax payment of \$34,273 was made to the Collector of Revenue, St. Louis County for the transfer of the Ferguson property to The House STL Church and was recorded as accounts receivable. This payment was made as a protested tax payment and will be reviewed in the Summer of 2023.

HARVESTER CHRISTIAN CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

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 Saint Charles and Troy campuses to provide greater detail and to supplement the financial statements.

NOTE 4 - 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, 2022, was \$8,887,838. The Church is required to maintain four months of principal and interest payments in cash and cash equivalents. As of December 31, 2022, the required cash reserve was \$241,815. The Church is in compliance with the required cash reserve balance as of December 31, 2022.

Future maturities of note payable are as follows:

For the years ending December 31,		
2023	\$	421,099
2024		435,250
2025		451,557
2026		7,579,932
Total	\$	<u>8,887,838</u>

NOTE 5 - NON-CASH CONTRIBUTIONS

The Church received \$488,728 in non-cash contributions for the food pantry, including the backpack program, and food for an event for the year ended December 31, 2022. The food pantry receives food contributions directly and redistributes the food to families in need. The food pantry averaged 105 families per week for 50 weeks at approximately \$90 in food distributed per visit. The backpack program averaged 100 students per week for 32 weeks at approximately \$5 in distributions per visit. A portion of a catered dinner was donated totaling \$228. In the prior year, the Church was gifted the Ferguson property. The Church transferred ownership of the Ferguson property to The House STL Church in 2022.

HARVESTER CHRISTIAN CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2022, follows:

Land improvements	\$	902,898
Building and improvements		23,266,723
Leasehold improvement		199,841
Furniture and equipment		1,248,553
Vehicles		54,997
Total depreciable assets		25,673,012
Accumulated depreciation		(9,789,026)
Depreciable assets, net		15,883,986
Land		1,063,617
Construction in progress		252,359
Property and equipment, net	\$	17,199,962

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2022, are restricted as follows:

	Purpose	Periods
Give Hope	\$ 418,582	\$ -
Mission trips	2,726	-
Robles Scholarship	463	40,000
West parking lot	305,000	-
Total	\$ 726,771	\$ 40,000

NOTE 8 - OPERATING LEASES

The Church has entered into the following operating leases:

- A. On November 4, 2021, the Church extended the lease with RLP Development Company, Inc., for the Troy Campus location with the lease term ending February 28, 2025. RLP Development Company, Inc. sold the property to JLP LLC who took over the lease with the Church. The monthly base rent is \$4,760, and the monthly common area maintenance fee is \$1,733.
- B. On April 1, 2021, the Church entered into a 60-month lease with Da Com for the use of a copier. The minimum monthly lease payments are \$1,167.
- C. On September 1, 2019, the Church entered into a 60-month lease with Great American Financial Service Corporation for the use of a postage machine. The minimum monthly lease payments are \$121.

HARVESTER CHRISTIAN CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 8 - OPERATING LEASES (cont.)

Future minimum lease payments as of December 31, 2022, follow:

2023	\$	93,372
2024		93,372
2025		26,990
2026		4,668
Total	\$	218,402

Operating lease payments for the year ended December 31, 2022, totaled \$92,123.

NOTE 9 - CONCENTRATION OF CREDIT RISK

The Church held cash balances with Cass Bank of \$1,215,277 as of December 31, 2022. Of the balance, \$965,277 was in excess of the federally insured limit of \$250,000 per depositor.

The Church also held deposits totaling \$41,463 with the Church Development Fund, Inc. and \$573,531 with Christian Financial Resources, Inc. as of December 31, 2022. Both Church Development Fund, Inc. and Christian Financial Resources, Inc. are not insured by any federal government agency.

NOTE 10 - AVAILABILITY AND LIQUIDITY

The following represents the Church's financial assets at December 31, 2022:

Financial assets at year-end:	
Cash and cash equivalents	\$1,951,970
Certificate of deposit	41,463
Total financial assets at year-end	1,993,433
Less amounts not available to meet general expenditures within one year:	
Cash reserve for loan covenant	241,815
Net assets with period restrictions in excess of one year	40,000
Net assets with purpose restrictions	726,771
Total amounts not available to meet general expenditures within one year	1,008,586
Financial assets available to meet general expenditures within one year	\$ 984,847

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 10, 2023, 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, 2022

	<u>Saint Charles</u>	<u>Troy</u>	<u>Total</u>
SUPPORT AND REVENUE			
General fund donations	\$ 6,247,863	\$ 384,284	\$ 6,632,147
Designated contributions	540,981	20,145	561,126
Other	19,059	-	19,059
Non-cash contributions	488,728	-	488,728
	<u>7,296,631</u>	<u>404,429</u>	<u>7,701,060</u>
EXPENSES			
Administration	366,905	8,177	375,082
Facilities	441,023	123,540	564,563
Payroll	2,577,676	141,153	2,718,829
Staff expense	534,475	42,559	577,034
Interest	320,163	-	320,163
Ministry	870,765	37,795	908,560
Give Hope	730,995	38,088	769,083
Depreciation	703,749	-	703,749
Non-cash	1,636,700	-	1,636,700
	<u>8,182,451</u>	<u>391,312</u>	<u>8,573,763</u>
Change in net assets from operations	<u>(885,820)</u>	<u>13,117</u>	<u>(872,703)</u>
INVESTMENT ACTIVITIES			
Interest income	<u>9,216</u>	<u>-</u>	<u>9,216</u>
Total investment activities	<u>9,216</u>	<u>-</u>	<u>9,216</u>
Changes in net assets	<u>\$ (876,604)</u>	<u>\$ 13,117</u>	<u>\$ (863,487)</u>

See accompanying notes and independent auditors' report