

*GOOD SHEPHERD  
UNITED METHODIST CHURCH*

*FINANCIAL STATEMENTS  
JULY 31, 2018*

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**GOOD SHEPHERD UNITED METHODIST CHURCH**  
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**JULY 31, 2018**

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# ***C. DEWITT FOARD & COMPANY, P.A.***

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## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

To the Finance Committee of  
Good Shepherd United Methodist Church  
Charlotte, North Carolina

We have reviewed the accompanying financial statements of Good Shepherd United Methodist Church, ("the Church" - a nonprofit corporation), which comprise the statement of financial position – modified cash basis as of July 31, 2018, and the related statements of activities – modified cash basis and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Church's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible 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.

### *Accountant's Responsibility*

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### *Accountant's Conclusion*

Based on our review, except for the issue noted in the Known Departure From Cash Basis of Accounting paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting.

Good Shepherd United Methodist Church  
Charlotte, North Carolina

*Known Departure From Modified Cash Basis of Accounting*

As discussed in the accompanying notes, the Church has elected to carry land and buildings on the statement of financial position at values assessed for local property tax purposes with no allowance for depreciation. The effects of this departure from the modified cash basis of accounting have not been determined.

*Basis of Accounting*

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

*C. DeWitt Ford & Company, P.A.*  
August 16, 2019

**GOOD SHEPHERD UNITED METHODIST CHURCH**  
**STATEMENT OF FINANCIAL POSITION - MODIFIED CASH BASIS**  
**July 31, 2018**

	Unrestricted	Temporarily Restricted	Totals
<b><u>ASSETS</u></b>			
Cash	\$ 1,024,289	\$ 22,153	\$ 1,046,442
Sales tax receivable	17,779	-	17,779
Property	12,434,900	-	12,434,900
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 13,476,968</u></b>	<b><u>\$ 22,153</u></b>	<b><u>\$ 13,499,121</u></b>

**LIABILITIES AND NET ASSETS**

Liabilities:

Notes payable	\$ 4,158,469	\$ -	\$ 4,158,469
<b>Total Liabilities</b>	<b>4,158,469</b>	<b>-</b>	<b>4,158,469</b>

Net Assets:

Unrestricted:

Undesignated	8,763,636	-	8,763,636
Designated	554,863	-	554,863

<b>Total Unrestricted Net Assets</b>	<b>9,318,499</b>	<b>-</b>	<b>9,318,499</b>
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Temporarily restricted	-	22,153	22,153
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<b>Total Net Assets</b>	<b>9,318,499</b>	<b>22,153</b>	<b>9,340,652</b>
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<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 13,476,968</u></b>	<b><u>\$ 22,153</u></b>	<b><u>\$ 13,499,121</u></b>
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**GOOD SHEPHERD UNITED METHODIST CHURCH****STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS****Year Ended July 31, 2018**

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	Unrestricted	Temporarily Restricted	Totals
<b><u>SUPPORT AND REVENUE</u></b>			
Contributions	\$ 3,777,385	\$ 412,900	\$ 4,190,285
Interest income	2,547	-	2,547
Other income	36,615	49,695	86,310
Net assets released from restrictions:			
Satisfaction of purpose restriction by payment	600,237	(600,237)	-
<b><i>TOTAL SUPPORT AND REVENUE</i></b>	<b><i>4,416,784</i></b>	<b><i>(137,642)</i></b>	<b><i>4,279,142</i></b>
<b><u>EXPENDITURES</u></b>			
Property additions	39,778	-	39,778
Personnel	1,616,414	-	1,616,414
Missions	437,747	-	437,747
Administrative	244,157	-	244,157
Maintenance contracts	142,819	-	142,819
Utilities	132,350	-	132,350
Interest expense	163,796	-	163,796
Zoar campus	113,138	-	113,138
Repairs and maintenance	208,580	-	208,580
Benevolence	47,686	-	47,686
Cemetery	17,854	-	17,854
Youth ministry	25,087	-	25,087
Conference apportionment	35,000	-	35,000
Children's ministry	38,746	-	38,746
Communication	38,827	-	38,827
Worship	40,032	-	40,032
Insurance	40,053	-	40,053
Nursery	15,817	-	15,817
Congregational care	19,157	-	19,157
LifeGroup	15,104	-	15,104
Family ministry	7,587	-	7,587
<b><i>TOTAL EXPENSES</i></b>	<b><i>3,439,729</i></b>	<b><i>-</i></b>	<b><i>3,439,729</i></b>
<b><i>SUPPORT AND REVENUE OVER (UNDER) EXPENDITURES</i></b>	<b><i>977,055</i></b>	<b><i>(137,642)</i></b>	<b><i>839,413</i></b>
<b><i>NET ASSETS, BEGINNING</i></b>	<b><i>8,341,444</i></b>	<b><i>159,795</i></b>	<b><i>8,501,239</i></b>
<b><i>NET ASSETS, ENDING</i></b>	<b><i>\$ 9,318,499</i></b>	<b><i>\$ 22,153</i></b>	<b><i>\$ 9,340,652</i></b>

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**GOOD SHEPHERD UNITED METHODIST CHURCH**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**Year Ended July 31, 2018**

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**OPERATING ACTIVITIES**

Support and revenue under expenditures	\$ 839,413
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Contributions restricted for property additions	408,238
Property additions	39,778
Changes in operating assets and liabilities:	
Change in sales tax receivable	26,394
<b><i>Cash Flows From Operating Activities</i></b>	<b><i>1,313,823</i></b>

**INVESTING ACTIVITIES**

Property additions	(39,778)
<b><i>Cash Flows From Investing Activities</i></b>	<b><i>(39,778)</i></b>

**FINANCING ACTIVITIES**

Contributions restricted for property additions	(408,238)
Principal payments on notes	(891,176)
<b><i>Cash Flows From Financing Activities</i></b>	<b><i>(1,299,414)</i></b>

<b>CHANGE IN CASH</b>	<b>(25,369)</b>
<b>CASH, BEGINNING</b>	<b>1,071,811</b>
<b>CASH, ENDING</b>	<b>\$ 1,046,442</b>

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**GOOD SHEPHERD UNITED METHODIST CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2018**

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**NOTE 1 - ORGANIZATION AND ACTIVITIES**

Organization

Good Shepherd United Methodist Church (the Church) was organized in 1991 and operates as a local church within the Charlotte District of the Western North Carolina Conference of the Southeastern Jurisdiction of the United Methodist Church. The Church is located at 13110 Moss Road, Charlotte, North Carolina. The Church also conducts services at two other locations known as Zoar Campus and Corner Campus. The Church's primary source of funding is contributions from members and non-member attendees.

This report does not include the activities of Good Shepherd Preschool or various church school and other church-sponsored activities which would not be material to these financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

The financial statements have been prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP).

Pursuant to the cash basis of accounting, revenue and the related assets are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. In addition, all other amounts received are recorded as cash receipts and all other amounts expended are recorded as cash disbursements. The Church has adopted the following modifications to the cash basis of accounting:

- The payment and refund of state sales tax are shown as changes in an asset rather than as receipts and disbursements. The balance at year-end is expected to be collected in full in the following year.
- Land, buildings, and improvements are carried on the books at its appraised value by Mecklenburg County for property tax purposes. This value consists of \$10,964,400 for property located on Moss Road and \$1,470,500 for property located on Zoar Road. The *Book of Discipline of the United Methodist Church* states that titles to all property held by the local church are to be held in trust for the United Methodist Church and subject to the provisions of the *Discipline*.
- Payroll withholdings and other certain items collected but not yet paid out are shown as liabilities.
- Loans incurred for asset acquisitions, construction, and renovations and subsequent principal repayments have been recorded as increases and decreases to liability accounts, rather than as receipts and disbursements.



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**GOOD SHEPHERD UNITED METHODIST CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2018**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, cont.**

Basis of accounting, continued

The significant differences between the basis of accounting and reporting employed by the Church and GAAP, in addition to the timing of the recognition of revenue and expenses, are as follows:

- No amounts have been reflected in the financial statements for services or property contributed to the Church other than publically traded stock which is immediately liquidated.
- Fixed assets are expensed as purchased instead of being capitalized and depreciated over their estimated useful lives.
- Contributions that the Church receives and disburses for the benefit of others are recorded as receipts and disbursements rather than as changes in a liability account.
- Expenses are shown by natural classification and are not allocated on a functional basis between program services, management and general, and fundraising.

Basis of presentation

The Church reports information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted net assets – Net assets that are not subject to any donor-imposed stipulations and those resources invested in property. Designated net assets represent funds designated by the Church for specific purposes.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Church and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Church. During the year the Church had no permanently restricted net assets.

Contributions

The Church reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Restricted support received is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Use of estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income tax status

Good Shepherd United Methodist Church is a nonprofit organization and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

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**GOOD SHEPHERD UNITED METHODIST CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2018**

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**NOTE 3 - NOTES PAYABLE**

Notes payable as of year-end consist of the following obligations due to First Citizens Bank & Trust Company:

A balance of \$3,906,666 on a note due in monthly installments of \$39,614 including interest at a fixed rate of 3.5 percent are due until December 31, 2023, at which time any unpaid principal is due and payable. The note is subject to a one percent penalty for prepayment prior to maturity.

A balance of \$251,803 on a loan for the purchase of furniture and equipment due in monthly installments of \$6,497 including interest at a fixed rate of 3.25 percent.

The above notes are secured by real estate and personal property owned by the Church.

Future maturities of long-term debt is as follows:

Year Ending July 31:	
2019	\$ 397,116
2020	411,058
2021	425,489
2022	394,702
Thereafter	<u>2,530,104</u>
	<u>\$ 4,158,469</u>

Interest paid during the year totaled \$163,796.

**NOTE 4 - NET ASSETS**

Designated net assets

Designated net assets as of year-end consist of the following:

Missions	\$ 272,795
Trustees	219,500
Medical Insurance	61,261
Benevolence	<u>1,307</u>
	<u>\$ 554,863</u>

Temporarily restricted net assets

The Church's temporarily restricted net assets as of year-end are to be used for the following purposes:

Out & About	\$ 5,080
Zoar cemetery	12,909
Copier	<u>4,163</u>
	<u>\$ 22,153</u>

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**GOOD SHEPHERD UNITED METHODIST CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2018**

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**NOTE 5 - LEASE COMMITMENTS**

The Church leases meeting space and office equipment under non-cancelable operating lease agreements. Lease payments related to these leases during the year totaled \$73,263. Minimum future rental payments under these leases are as follows:

Year Ending July 31:		
2019	\$	50,375
2020		46,212
2021		46,212
2022		46,212
	\$	<u>189,011</u>

**NOTE 6 - PENSION AND RETIREMENT PLANS**

All ordained ministers of the Church participate in a pension plan administered and funded through the General Board of Pensions of the United Methodist Church and under the control of The United Methodist Church. The cost of pension benefits related to ordained ministers are included in the annual apportionment fees determined by and paid to the Conference.

The Church sponsors a SIMPLE IRA plan for full-time employees except ordained ministers. Participating employees defer a portion of their salaries subject to limits determined annually by the Internal Revenue Service and the Church matches their contributions up to 3% of their salaries. Total contributions to the plan by the Church totaled \$6,886 for the year.

**NOTE 7 - CONCENTRATIONS OF RISK**

The Church maintains cash and certificates of deposit balances within financial institutions in excess of FDIC coverage. The total cash equivalents held by the Church at year-end includes \$685,452 not covered by the FDIC.

The Church, by its nature, operates in a small geographic location and is sensitive to changes in the local economy.

**NOTE 8 - SUBSEQUENT EVENTS**

The Church has evaluated subsequent events from the date of the statement of financial position through the date of the independent auditors' report, which is the date the financial statements were available to be issued. During this period, no material subsequent events were identified.