

*Matthews United Methodist Church*

*Financial Statements*  
*December 31, 2023*

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# ***MATTHEWS UNITED METHODIST CHURCH***

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**December 31, 2023**

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## INDEPENDENT AUDITORS' REPORT

To the Finance Ministry Team of  
Matthews United Methodist Church  
Matthews, North Carolina

### Opinion

We have audited the accompanying financial statements of Matthews United Methodist Church (the "Church" - a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Matthews United Methodist Church as of December 31, 2023, 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 of 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Matthews United Methodist Church 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 Matthews United Methodist Church's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's 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, including omissions, 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.

Matthews United Methodist Church  
Matthews, North Carolina

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 purposes of expressing an opinion on the effectiveness of Matthews United Methodist Church'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 Matthews United Methodist Church'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.

*Foard & Company, P.A.*

June 27, 2024

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# **MATTHEWS UNITED METHODIST CHURCH**

## **Statement of Financial Position**

**December 31, 2023**

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### **ASSETS**

#### Current Assets:

Cash and equivalents - without donor restrictions	\$	1,203,529
Cash and equivalents - with donor restrictions		532,123
Investments		299,932
Miscellaneous receivables		39,550
Sales tax receivable		10,256

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Total Current Assets		2,085,390
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Property and Equipment, net		2,225,440
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#### Other Non-Current Assets:

Endowments - with donor restrictions		670,795
Cash surrender value of life insurance policy		12,159
Operating right of use asset		95,882

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Total Other Non-Current Assets		778,836
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<b>TOTAL ASSETS</b>	<b>\$</b>	<b>5,089,666</b>
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### **LIABILITIES AND NET ASSETS**

#### Current Liabilities:

Accounts payable	\$	144,722
Accrued payroll expenses		32,932
Operating lease liability		36,692

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Total Current Liabilities		214,346
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#### Long-term Liabilities:

Operating lease liability, less current		59,190
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#### Net Assets:

##### Without Donor Restrictions:

Designated		738,022
Undesignated		2,875,190

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Total Net Assets Without Donor Restrictions		3,613,212
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With donor restrictions		1,202,918
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Total Net Assets		4,816,130
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>5,089,666</b>
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# ***MATTHEWS UNITED METHODIST CHURCH***

## **Statement of Activities**

**Year Ended December 31, 2023**

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	Without Donor Restrictions	With Donor Restrictions	Total
<b><u>SUPPORT AND REVENUE</u></b>			
Contributions	\$ 2,584,221	\$ 746,644	\$ 3,330,865
Employee retention credit	553,699	-	553,699
Investment income	26,783	83,842	110,625
Other income	83,162	-	83,162
Net assets released from restrictions	678,516	(678,516)	-
<b><i>TOTAL SUPPORT AND REVENUE</i></b>	<b><i>3,926,381</i></b>	<b><i>151,970</i></b>	<b><i>4,078,351</i></b>
<b><u>EXPENSES</u></b>			
Program services	3,011,356	-	3,011,356
General and administrative	620,211	-	620,211
<b><i>TOTAL EXPENSES</i></b>	<b><i>3,631,567</i></b>	<b><i>-</i></b>	<b><i>3,631,567</i></b>
<b><i>CHANGE IN NET ASSETS</i></b>	<b><i>294,814</i></b>	<b><i>151,970</i></b>	<b><i>446,784</i></b>
<b><i>NET ASSETS, BEGINNING</i></b>	<b><i>3,318,398</i></b>	<b><i>1,050,948</i></b>	<b><i>4,369,346</i></b>
<b><i>NET ASSETS, ENDING</i></b>	<b><i>\$ 3,613,212</i></b>	<b><i>\$ 1,202,918</i></b>	<b><i>\$ 4,816,130</i></b>

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**MATTHEWS UNITED METHODIST CHURCH****Statement of Functional Expenses****Year Ended December 31, 2023**

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	Program Services	General and Administrative	Total
Age-level ministries	\$ 46,467	\$ 11,617	\$ 58,084
Apportionments	216,059	-	216,059
Depreciation	282,604	109,902	392,506
Music and worship arts	38,466	2,895	41,361
Operations and facility care	323,647	132,205	455,852
Outreach ministries	2,806	-	2,806
Staffing - clergy	374,353	168,187	542,540
Staffing - laity	1,107,297	195,405	1,302,702
Designated fund expenses	619,657	-	619,657
<b><i>TOTAL EXPENSES</i></b>	<b><i>\$ 3,011,356</i></b>	<b><i>\$ 620,211</i></b>	<b><i>\$ 3,631,567</i></b>

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# **MATTHEWS UNITED METHODIST CHURCH**

## **Statement of Cash Flows**

**Year Ended December 31, 2023**

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### **OPERATING ACTIVITIES**

Change in net assets	\$ 446,784
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	392,506
Realized and unrealized (gain) loss on investments	(84,951)
Contributions restricted for investment in endowment	(161,132)
(Increase) decrease in operating assets:	
Value of cash surrender value of life insurance policy	(110)
Accounts receivable	(39,550)
Sales tax receivable	615
Increase (decrease) in operating liabilities:	
Accounts payable	106,600
Accrued payroll expenses	(55,118)
<b><i>Cash Flows from Operating Activities</i></b>	<b><i>605,644</i></b>

### **INVESTING ACTIVITIES**

Capital expenditures	(222,461)
Proceeds from sale of investments	409,536
Purchase of investments	(465,466)
<b><i>Cash Flows from Investing Activities</i></b>	<b><i>(278,391)</i></b>

### **FINANCING ACTIVITIES**

Contributions restricted for investment in endowment	161,132
<b><i>Cash Flows from Financing Activities</i></b>	<b><i>161,132</i></b>

***CHANGE IN CASH AND EQUIVALENTS*** ***488,385***

***CASH AND EQUIVALENTS, BEGINNING*** ***1,247,267***

***CASH AND EQUIVALENTS, ENDING*** ***\$ 1,735,652***

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### **CASH PER STATEMENT OF FINANCIAL POSITION**

Cash and equivalents - without donor restrictions \$ 1,203,529

Cash and equivalents - with donor restrictions 532,123

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***TOTAL CASH AND EQUIVALENTS*** ***\$ 1,735,652***

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# ***MATTHEWS UNITED METHODIST CHURCH***

## **Notes to Financial Statements**

**December 31, 2023**

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### **NOTE 1 – NATURE OF ACTIVITIES AND BASIS OF PRESENTATION**

#### *Nature of activities*

Matthews United Methodist Church (the “Church”) is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The mission of the Church is to:

- REACH people in the name of Christ,
- TEACH everyone to be fully devoted disciples of Christ,
- PRAISE God through worship and in everything we do, and
- SERVE others, as Christ taught us, to relieve suffering in the world.

The Church’s success in achieving its mission depends greatly on contributions made by its members and attendees.

#### *Basis of Presentation*

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

#### *Financial statement presentation*

In accordance with Financial Accounting Standards Board ASC Topic 958, *Financial Statements for Not-For-profit Entities*, the Church is required to report information regarding its financial position and activities according to two classes of net assets,

*Net assets without donor restrictions* – These amounts are not subject to any donor-imposed stipulations. Net assets without donor restrictions can be designated by the Church for specific purposes. However, these funds have not been restricted by donors.

*Net assets with donor restrictions* – These amounts consist of net assets that are temporary in nature, which are subject to donor-imposed stipulations that may or will be met either by actions of the Church or the passage of time and net assets to be held in perpetuity, which are subject to donor-imposed stipulations that they be maintained in perpetuity by the Church.

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### *Cash and cash equivalents*

Cash and cash equivalents include cash held in bank accounts, including money market accounts, and certificates of deposit purchased with a maturity of three months or less.

#### *Property and equipment*

The Church capitalizes all expenditures in excess of \$5,000 for property and equipment at cost. Contributed property and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

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# ***MATTHEWS UNITED METHODIST CHURCH***

## **Notes to Financial Statements**

**December 31, 2023**

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Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

### *Contributions*

Contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All other donor restricted support is 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.

### *Donated services*

The Church records donated services as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Numerous unpaid volunteers have made significant contributions of their time to assist the Church in achieving its mission. The value of this contributed time is not reflected in these financial statements since it does not meet the above recognition criteria.

### *Sales tax receivable*

The balance of sales tax receivable consists of North Carolina sales tax paid that will be refunded. The balance is presented at net realizable value and is expected to be collected in the subsequent year.

### *Leases*

The Church determines if an arrangement is or contains a lease at inception. Leases are included in right of use (“ROU”) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Church does not report ROU assets and lease liabilities for its leases with a term of 12 months or less; rather they are reported as a lease expense on a straight-line basis over the lease term.

### *Functional allocation of expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries, wages, and related expenses were allocated on a time allocation percentage basis estimated by management.

### *Income taxes*

The Church is exempt from federal and state income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements. Currently, the Church engages in no activities that would be taxed as unrelated business income.

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# **MATTHEWS UNITED METHODIST CHURCH**

## **Notes to Financial Statements**

**December 31, 2023**

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### Use of estimates

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

### **NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

Financial assets at year-end:	
Cash – without donor restrictions	\$ 1,203,529
Investments	299,932
Miscellaneous and sales tax receivable	49,806
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Assets available to meet expenditures within one year	\$ 1,553,267
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### **NOTE 4 – PROPERTY**

#### Balance at year-end

Church property at December 31, 2023, consisted of the following:

Land	\$ 242,227
Buildings and improvements	10,593,325
Equipment, furniture, and fixtures	904,312
Vehicles	134,365
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Total Fixed Assets	11,874,229
Less – accumulated depreciation	9,648,789
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Fixed Assets (Net)	\$ 2,225,440
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### **NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Investments at year-end consist of certificates of deposit of \$299,932 and endowment funds described in Note 6.

Current accounting standards require fair value of financial instruments to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs, as follows:

Level 1 - Fair value is based on quoted prices in active markets for identical assets or liabilities.

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# ***MATTHEWS UNITED METHODIST CHURCH***

## **Notes to Financial Statements**

**December 31, 2023**

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Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Church's certificates of deposit and endowment funds are classified as level 2 assets.

### **NOTE 6 – DONOR-RESTRICTED ENDOWMENTS**

The Church's endowments consist of seven funds held at the United Methodist Foundation of Western North Carolina. The endowments include donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Endowment Committee of the Church to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Endowment Committee of the Church has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Church classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

*Investment Return Objectives, Risk Parameters and Strategies.* The Church has adopted investment and spending policies, approved by the Permanent Endowment Fund Committee, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve regular income at a reasonable rate, growth of income and principal over and above that necessary to offset rises in the cost of living, and the investment of assets in institutions, companies, organizations, corporations, or funds that make a positive contribution toward the realization of the goals outlined in the Social Principles of the United Methodist Church.

*Spending Policy.* The Endowment Committee will distribute the income of the Endowment Fund as determined by the donor at the time of their gift or as directed by will or other gift document. If the use of the gift is undesignated, income will be accrued in the General Endowment and spent according to the discretion of the Endowment Committee. From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Endowment Committee of the Church has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

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# ***MATTHEWS UNITED METHODIST CHURCH***

## **Notes to Financial Statements**

**December 31, 2023**

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	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, end of year	\$ -	\$ 670,795	\$ 670,795

Changes in endowment net assets as of December 31, 2023, are as follows,

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 431,023	\$ 431,023
Contributions	-	161,132	161,132
Investment income, net	-	83,842	83,842
Amounts appropriated for expenditure	-	(5,202 )	(5,202 )
Endowment net assets, end of year	\$ -	\$ 670,795	\$ 670,795

### **NOTE 7 – LEASES**

The Church leases office equipment from unrelated parties during the year under a long-term non-cancelable operating lease arrangements. The leases contains no significant restrictions. In addition, the Church did not identify any contracts entered during the year meeting the criteria, nor did it have any finance leases during the year. The operating ROU assets represent the Church's right to use underlying assets for the lease term, and the operating lease liability represents the Church's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease term. The Church has made an accounting policy election to use a risk-free rate of interest in lieu of its incremental borrowing rate to discount future lease payments. The discount rate represents the weighted average risk-free discount rate using a period comparable with that of the individual lease term. At December 31, 2023, the operating lease ROU asset balance was \$95,882, and the operating lease liability was \$95,882. The total lease costs for the year ended December 31, 2023, was \$36,773.

As of December 31, 2023:

Weighted-average discount rate:	
Operating leases	1.25%
Weighted-average remaining lease term	
Operating leases	2.70

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# ***MATTHEWS UNITED METHODIST CHURCH***

## **Notes to Financial Statements**

**December 31, 2023**

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Future minimum lease payments required under the operating leases are as follows:

Year ended December 31:	
2024	\$ 37,707
2025	37,816
2026	17,624
2027	3,201
2028	1,210
Total lease payments	<u>97,558</u>
Less: present value discount	<u>1,676</u>
Present value of liability	<u>\$ 95,882</u>

### **NOTE 8 – BOARD DESIGNATED AND DONOR RESTRICTED NET ASSETS**

Net assets without donor restrictions - board designated at year-end consists of the following:

Capital reserve escrow	\$ 150,564
Preschool	5,732
Insurance claim	4,499
ERC Funds	428,699
Marketing/Communication campaign	20,600
Capital campaign	100,000
Sanctuary renovation	26,730
Other (Individual below \$1,500)	1,198
Total	<u>\$ 738,022</u>

Net assets subject to donor restrictions at year-end are to be used for the following purposes:

Property and equipment	\$ 118,701
Endowments	592,300
Accumulation of endowment gains	78,495
Children's ministry	1,991
Music ministry	12,604
Mission projects	102,117
Scholarships	33,528
Adult ministry	19,692
Senior ministry	7,055
Recreation ministry	1,988
United Methodist Men	10,176
Worship/Sanctuary	1,342
Youth/Young Adults	81,011
Outreach	21,449

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# **MATTHEWS UNITED METHODIST CHURCH**

## **Notes to Financial Statements**

**December 31, 2023**

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Pastor's discretionary	5,916
Columbarium	14,571
Other Designated	99,982
Total	<u>\$ 1,202,918</u>

### **NOTE 9 – CONCENTRATIONS AND RISKS**

#### Geographic area

The Church operates in a small geographic area and is, therefore, sensitive to changes in the local economy.

#### Cash

Cash held in bank accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Church holds cash in excess of the insured limits covered by the FDIC; however, the Church believes it is not exposed to any significant credit risk related to these accounts.

The Church pays apportionments and clergy benefits throughout the year to the Western North Carolina Conference of the United Methodist Church. For the year ended December 31, 2023, the Church paid \$60,345 in apportionments and \$77,920 for clergy benefits.

### **NOTE 10 – INTERMEDIARY COLLECTIONS**

During the year ended December 31, 2023, the Church collected \$29,509 on behalf of other non-profit organizations.

### **NOTE 11 – EMPLOYER RETENTION CREDIT**

The Church concluded that it is eligible for the Employer Retention Tax Credit (“ERC”). During the year ended December 31, 2023, the Church received a net of \$553,699 under the credit. The credit is open to examination by the Internal Revenue Service for three years from the date of the filing.

### **NOTE 12 – SUBSEQUENT EVENTS**

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