

Matthews United Methodist Church

Financial Statements

Year Ended December 31, 2025

MATTHEWS UNITED METHODIST CHURCH

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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, 2025, 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, 2025, 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 9, 2026

MATTHEWS UNITED METHODIST CHURCH

Statement of Financial Position

December 31, 2025

ASSETS

Current Assets:

Cash and equivalents - without donor restrictions	\$	597,180
Cash and equivalents - with donor restrictions		891,760
Investments		514,966
Sales tax receivable		38,430

Total Current Assets		2,042,336
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Property and Equipment, net		3,637,657
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Other Non-Current Assets:

Endowments - with donor restrictions		1,004,386
Cash surrender value of life insurance policy		12,861
Operating right of use asset		130,217

Total Other Non-Current Assets		1,147,464
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TOTAL ASSETS	\$	6,827,457
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	74,671
Accrued payroll expenses		44,452
Operating lease liability		27,756

Total Current Liabilities		146,879
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Long-term Liabilities:

Operating lease liability, less current		102,461
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Net Assets:

Without Donor Restrictions:

Designated		213,383
Undesignated		4,468,588

Total Net Assets Without Donor Restrictions		4,681,971
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With donor restrictions		1,896,146
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Total Net Assets		6,578,117
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TOTAL LIABILITIES AND NET ASSETS	\$	6,827,457
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MATTHEWS UNITED METHODIST CHURCH

Statement of Activities

Year Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
<u>SUPPORT AND REVENUE</u>			
Contributions	\$ 2,537,724	\$ 1,437,375	\$ 3,975,099
Investment income	79,321	140,022	219,343
Other income	204,352	-	204,352
Net assets released from restrictions	2,287,544	(2,287,544)	-
TOTAL SUPPORT AND REVENUE	5,108,941	(710,147)	4,398,794
<u>EXPENSES</u>			
Program services	3,170,117	-	3,170,117
General and administrative	658,741	-	658,741
TOTAL EXPENSES	3,828,858	-	3,828,858
CHANGE IN NET ASSETS	1,280,083	(710,147)	569,936
NET ASSETS, BEGINNING	3,401,888	2,606,293	6,008,181
NET ASSETS, ENDING	\$ 4,681,971	\$ 1,896,146	\$ 6,578,117

MATTHEWS UNITED METHODIST CHURCH

Statement of Functional Expenses

Year Ended December 31, 2025

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Age-level ministries	\$ 50,955	\$ 12,739	\$ 63,694
Apportionments	197,633	-	197,633
Congregational care ministries	1,391	73	1,464
Depreciation	267,318	103,957	371,275
Music and worship arts	39,567	2,978	42,545
Operations and facility care	422,428	172,541	594,969
Outreach ministries	2,012	-	2,012
Staffing - clergy	387,113	173,920	561,033
Staffing - laity	1,091,021	192,533	1,283,554
Designated fund expenses	710,679	-	710,679
<i>TOTAL EXPENSES</i>	\$ 3,170,117	\$ 658,741	\$ 3,828,858

MATTHEWS UNITED METHODIST CHURCH

Statement of Cash Flows

Year Ended December 31, 2025

OPERATING ACTIVITIES

Change in net assets	\$	569,936
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation		371,275
Realized and unrealized (gain) loss on investments		(140,023)
Contributions restricted for capital campaign		(728,615)
Contributions restricted for investment in endowment		(28,085)
(Increase) decrease in operating assets:		
Value of cash surrender value of life insurance policy		(586)
Miscellaneous receivables		12
Sales tax receivable		(24,947)
Prepaid expenses		32,899
Increase (decrease) in operating liabilities:		
Accounts payable		30,554
Accrued payroll expenses		(54,243)
<i>Cash Flows from Operating Activities</i>		<i>28,177</i>

INVESTING ACTIVITIES

Capital expenditures		(1,719,057)
Proceeds from sale of investments		1,282,201
Purchase of investments		(1,310,864)
<i>Cash Flows from Investing Activities</i>		<i>(1,747,720)</i>

FINANCING ACTIVITIES

Contributions restricted for capital campaign		728,615
Contributions restricted for investment in endowment		28,085
<i>Cash Flows from Financing Activities</i>		<i>756,700</i>

CHANGE IN CASH AND EQUIVALENTS ***(962,843)***

CASH AND EQUIVALENTS, BEGINNING ***2,451,783***

CASH AND EQUIVALENTS, ENDING ***\$ 1,488,940***

CASH PER STATEMENT OF FINANCIAL POSITION

Cash and equivalents - without donor restrictions	\$	597,180
Cash and equivalents - with donor restrictions		891,760
TOTAL CASH AND EQUIVALENTS	\$	1,488,940

See accompanying notes to financial statements.

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Notes to Financial Statements

December 31, 2025

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.

MATTHEWS UNITED METHODIST CHURCH

Notes to Financial Statements

December 31, 2025

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.

MATTHEWS UNITED METHODIST CHURCH

Notes to Financial Statements

December 31, 2025

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	\$ 597,180
Investments	514,966
Miscellaneous and Sales tax receivable	<u>38,430</u>
Assets available to meet expenditures within one year	<u>\$ 1,150,576</u>

The above amounts include board designated funds of \$213,383; however, those funds may be utilized with board action.

NOTE 4 – PROPERTY

Balance at year-end

Church property at December 31, 2025, consisted of the following:

Land	\$ 242,227
Buildings and improvements	13,581,987
Equipment, furniture, and fixtures	44,807
Vehicles	<u>111,865</u>
Total Fixed Assets	13,980,886
Less – accumulated depreciation	<u>10,343,229</u>
Fixed Assets (Net)	<u>\$ 3,637,657</u>

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at year-end consist of the following:

Treasury bills	\$ 426,406
Mutual fund	88,560
Endowment funds (see Note 6)	<u>1,004,386</u>
Investments	<u>\$ 1,519,352</u>

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Notes to Financial Statements

December 31, 2025

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.

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 treasury bills and mutual fund are classified as level 1 assets, and the endowment funds are classified as level 2 assets. The Church's endowment funds are held in pooled funds and the fair value based on the fair value of the underlying assets, which are generally publicly traded.

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.

MATTHEWS UNITED METHODIST CHURCH

Notes to Financial Statements

December 31, 2025

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.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, end of year	\$ -	\$ 1,004,386	\$ 1,004,386

Changes in endowment net assets as of December 31, 2025, are as follows,

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 855,582	\$ 855,582
Contributions	-	28,085	28,085
Investment income, net	-	140,022	140,022
Amounts appropriated for expenditure	-	(19,303)	(19,303)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,004,386</u>	<u>\$ 1,004,386</u>

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 contain 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, 2025, the operating lease ROU asset balance was \$130,217, and the operating lease liability was \$130,217. The total lease costs for the year ended December 31, 2025, was \$34,377.

MATTHEWS UNITED METHODIST CHURCH

Notes to Financial Statements

December 31, 2025

As of December 31, 2025:

Weighted-average discount rate:

Operating leases	3.63%
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Weighted-average remaining lease term

Operating leases	4.54
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Future minimum lease payments required under the operating leases are as follows:

Year ended December 31:

2026	\$ 32,025
2027	32,025
2028	30,445
2029	28,824
2030	18,015
Total lease payments	<u>141,334</u>
Less: present value discount	<u>11,117</u>
Present value of liability	<u>\$ 130,217</u>

NOTE 8 – LINE OF CREDIT

The Church has a line of credit with a local financial institution for \$1,000,000. The line of credit matures on June 24, 2027. The line of credit is secured by equipment and accounts of the Church. There have been no borrowings on the line of credit.

NOTE 9 – 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
ERC Funds	49,633
Marketing/Communication Campaign	<u>13,186</u>
Total	<u>\$ 213,383</u>

MATTHEWS UNITED METHODIST CHURCH

Notes to Financial Statements

December 31, 2025

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

Capital campaign	\$	277,296
Property and equipment		178,265
Endowments		733,484
Accumulation of endowment gains		270,902
Children's ministry		1,025
Music ministry		9,303
Mission projects		130,562
Scholarships		29,763
Adult ministry		25,874
Senior ministry		3,571
Recreation ministry		2,142
United Methodist Men		10,099
Worship/Sanctuary		200
Youth/Young Adults		76,032
Outreach		17,304
Pastor's discretionary		11,994
Columbarium		22,707
Prepaid tithes		40,250
Other Designated		55,373
Total	\$	<u>1,896,146</u>

NOTE 10 – CAPITAL CAMPAIGN

During 2024, the Church began receiving contributions for a multi-year campaign for building renovations and upgrading equipment. The Church entered into multiple contracts in 2024 and 2025. Subsequent to year-end the Church paid approximately \$175,000 on the remaining contracts, utilizing restricted funds.

NOTE 11 – 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 is 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.

MATTHEWS UNITED METHODIST CHURCH

Notes to Financial Statements

December 31, 2025

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, 2025, the Church paid \$197,633 in apportionments and \$76,918 for clergy benefits.

NOTE 12 – INTERMEDIARY COLLECTIONS

During the year ended December 31, 2025, the Church collected \$33,122 on behalf of other non-profit organizations.

NOTE 13 – 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, except as noted in Note 9.