

**THE GATHERING OF
WEST CHESTER, INC.
D/B/A PROVIDENCE CHURCH**

Financial Statements

June 30, 2019 and 2018

**Kreischer
Miller**

PEOPLE | IDEAS | SOLUTIONS

THE GATHERING OF WEST CHESTER, INC.
D/B/A PROVIDENCE CHURCH
June 30, 2019 and 2018

CONTENTS

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

FINANCIAL STATEMENTS

Statements of Assets, Liabilities and Net Assets – Modified Cash Basis	1
Statements of Revenue, Expenses and Changes in Net Assets – Modified Cash Basis	2-3
Statements of Functional Expenses – Modified Cash Basis	4
Statements of Cash Flows – Modified Cash Basis	5
Notes to Financial Statements	6-12

Independent Accountants' Compilation Report

Finance Committee
The Gathering of West Chester, Inc.
d/b/a Providence Church
West Chester, Pennsylvania

Management is responsible for the accompanying financial statements of The Gathering of West Chester, Inc. d/b/a Providence Church, which comprise the statements of assets, liabilities, and net assets - modified cash basis as of June 30, 2019 and 2018 and the related statements of revenue, expenses and changes in net assets - modified cash basis, functional expenses - modified cash basis, and cash flows - modified cash basis for the years then ended, and the related notes to the financial statements in accordance with the modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

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.



Horsham, Pennsylvania
October 3, 2019

**THE GATHERING OF WEST CHESTER, INC.
D/B/A PROVIDENCE CHURCH**

**Statements of Assets, Liabilities and Net Assets - Modified Cash Basis
June 30, 2019 and 2018**

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 232,753	\$ 328,374
Restricted cash	952,444	389,297
Other current assets	216	33
Total current assets	1,185,413	717,704
Property and equipment, net	2,336,370	1,591,297
	<u>\$ 3,521,783</u>	<u>\$ 2,309,001</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Notes payable, current portion	\$ -	\$ 23,596
Accrued expenses	14,857	27,601
Total current liabilities	14,857	51,197
Notes payable, net of current portion	1,045,764	695,762
Total liabilities	1,060,621	746,959
Net assets:		
Without donor restrictions	1,461,072	1,136,590
With donor restrictions	1,000,090	425,452
Total net assets	2,461,162	1,562,042
	<u>\$ 3,521,783</u>	<u>\$ 2,309,001</u>

See accompanying notes to financial statements.

THE GATEHRING OF WEST CHESTER, INC.
D/B/A PROVIDENCE CHURCH

Statements of Revenue, Expenses and Changes in Net Assets - Modified Cash Basis
Years Ended June 30, 2019 and 2018

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Operating revenue and support:			
Contributions	\$ 991,212	\$ 1,165,523	\$ 2,156,735
Rental income, net	129,688	-	129,688
Net assets released from restrictions	590,885	(590,885)	-
	<u>1,711,785</u>	<u>574,638</u>	<u>2,286,423</u>
Expenses:			
Program services	1,237,046	-	1,237,046
Supporting services:			
Administrative	155,595	-	155,595
Fundraising	4,693	-	4,693
	<u>1,397,334</u>	<u>-</u>	<u>1,397,334</u>
Changes in net assets before non-operating revenue and expenses	314,451	574,638	889,089
Non-operating revenue and expenses:			
Interest income	6,749	-	6,749
Other income	3,282	-	3,282
	<u>10,031</u>	<u>-</u>	<u>10,031</u>
Changes in net assets	324,482	574,638	899,120
Net assets, beginning of year	<u>1,136,590</u>	<u>425,452</u>	<u>1,562,042</u>
Net assets, end of year	<u>\$ 1,461,072</u>	<u>\$ 1,000,090</u>	<u>\$ 2,461,162</u>

See accompanying notes to financial statements.

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 967,315	\$ 535,914	\$ 1,503,229
147,660	-	147,660
187,208	(187,208)	-
1,302,183	348,706	1,650,889
1,227,863	-	1,227,863
157,559	-	157,559
15,792	-	15,792
1,401,214	-	1,401,214
(99,031)	348,706	249,675
1,949	-	1,949
-	-	-
1,949	-	1,949
(97,082)	348,706	251,624
1,233,672	76,746	1,310,418
\$ 1,136,590	\$ 425,452	\$ 1,562,042

THE GATHERING OF WEST CHESTER, INC.
D/B/A PROVIDENCE CHURCH

Statements of Functional Expenses - Modified Cash Basis
Years Ended June 30, 2019 and 2018

	2019			
	Program Services	Supporting Services Administrative	Supporting Services Fundraising	Total
Expand the Table, Supports, Missions, Benevolence and TWLV	\$ 135,245	\$ 15,027	\$ -	\$ 150,272
Ministries	178,240	-	4,022	182,262
National and global partnerships	50,400	26	-	50,426
Salaries	647,665	64,055	-	711,720
Payroll taxes and employee benefits	39,711	3,927	-	43,638
Special Programs: Piano Film Project	12,120	673	671	13,464
Building related expenses	71,949	7,994	-	79,943
Building related expenses, depreciation	67,634	7,515	-	75,149
Building related expenses, interest	32,331	3,592	-	35,923
Insurance	1,751	15,760	-	17,511
Rental expenses	22,766	2,530	-	25,296
Office expenses	-	37,026	-	37,026
Total expenses by function	1,259,812	158,125	4,693	1,422,630
Less expenses included with revenues on the statement of revenue, expenses and changes in net assets	(22,766)	(2,530)	-	(25,296)
Total functional expenses	\$ 1,237,046	\$ 155,595	\$ 4,693	\$ 1,397,334

	2018			
	Program Services	Supporting Services Administrative	Supporting Services Fundraising	Total
Expand the Table, Supports, Missions, Benevolence and TWLV	\$ 153,628	\$ 33,580	\$ -	\$ 187,208
Ministries	200,708	-	15,792	216,500
National and global partnerships	79,095	329	-	79,424
Salaries	590,959	58,446	-	649,405
Payroll taxes and employee benefits	39,695	3,926	-	43,621
Building related expenses	72,145	8,016	-	80,161
Building related expenses, depreciation	57,725	6,414	-	64,139
Building related expenses, interest	33,377	3,709	-	37,086
Insurance	531	10,084	-	10,615
Rental expenses	28,766	3,196	-	31,962
Office expenses	-	33,055	-	33,055
Total expenses by function	1,256,629	160,755	15,792	1,433,176
Less expenses included with revenues on the statement of revenue, expenses and changes in net assets	(28,766)	(3,196)	-	(31,962)
Total functional expenses	\$ 1,227,863	\$ 157,559	\$ 15,792	\$ 1,401,214

See accompanying notes to financial statements.

THE GATHERING OF WEST CHESTER, INC.
D/B/A PROVIDENCE CHURCH

Statements of Cash Flows - Modified Cash Basis
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Changes in net assets	\$ 899,120	\$ 251,624
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	75,149	64,139
Increase in:		
Other current assets	(183)	(765)
Increase (decrease) in:		
Accrued expenses	(12,744)	6,320
Net cash provided by operating activities	961,342	321,318
Cash flows from investing activities:		
Purchases of property and equipment	(470,222)	(51,759)
Net cash used in investing activities	(470,222)	(51,759)
Cash flows from financing activity:		
Principal payments on notes payable	(23,594)	(22,431)
Net cash used in financing activities	(23,594)	(22,431)
Net increase in cash, cash equivalents, and restricted cash	467,526	247,128
Cash, cash equivalents, and restricted cash, beginning of year	717,671	470,543
Cash, cash equivalents, and restricted cash, end of year	\$ 1,185,197	\$ 717,671
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 35,923	\$ 37,086
Cash paid during the year for income taxes	\$ 2,100	\$ 4,905
Supplemental disclosure of noncash investing and financing activity:		
Long-term debt incurred for acquisition of property and equipment	\$ 350,000	\$ -
The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of assets, liabilities and net assets - modified cash basis that sum to the total of the same amounts shown below:		
Cash and cash equivalents	\$ 232,753	\$ 328,374
Restricted cash	952,444	389,297
	\$ 1,185,197	\$ 717,671

See accompanying notes to financial statements

THE GATHERING OF WEST CHESTER, INC.
D/B/A PROVIDENCE CHURCH

Notes to Financial Statements
June 30, 2019 and 2018

(1) Nature of Organization

The Gathering of West Chester, Inc. d/b/a Providence Church (the Church) is located in West Chester, Pennsylvania, and provides religious services to its congregants and the community. The Church's mission is leading people to grow in their faith, hope, and love for Jesus Christ.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This method differs from GAAP in that, revenues are recognized when collected rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Accrued expenses represent expenses that have been charged on credit cards.

Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 958, Not-for-Profit Entities*. The Church's net assets, revenue, gains, and losses are classified in the financial statements based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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 organization. These net assets may be used at the discretion of the Church's management and Board of Elders.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors. 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 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 statements of revenue, expenses and changes in net assets – modified cash basis.

Continued...

**THE GATHERING OF WEST CHESTER, INC.
D/B/A PROVIDENCE CHURCH**

**Notes to Financial Statements
June 30, 2019 and 2018**

(2) Summary of Significant Accounting Policies, Continued

Measure of Operations

The statements of revenue, expenses and other changes in net assets – modified cash basis reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Church's ongoing programs and activities. Non-operating activities are considered to be peripheral to the Church's ongoing programs and activities.

Cash and Cash Equivalents

The Church considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash represents amounts received from donors for specific programs.

Property and Equipment

Acquisition of property and equipment in excess of \$1,000 is capitalized. Property and equipment are stated at cost, or if donated, at the approximate fair value at the date of donation and are depreciated using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are as follows:

Land improvements	20 years
Building and improvements	39 years
Machinery and equipment	5-9 years

Contributions

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. All donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of 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 statements of revenue, expenses and changes in net assets – modified cash basis as net assets released from restrictions.

Continued...

THE GATHERING OF WEST CHESTER, INC.
D/B/A PROVIDENCE CHURCH

Notes to Financial Statements
June 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Contributed Services

Many individuals volunteer their time and perform a variety of tasks that assist the Church with specific programs and various committee assignments. An amount has not been recognized in the accompanying statements of revenue, expenses and changes in net assets – modified cash basis for these volunteer efforts because they did not meet the requirements for recognition under FASB ASC 958-605, Revenue Recognition.

Rental Income

Rental income consists of amounts received from the rental of the Church's hall, kitchen, and parking lot and is recognized when received. Terms of rentals cover one-time events and month to month rental agreements.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of functional expenses – modified cash basis. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Expand the Table, supports, missions Ministries	Specific identification
National and global partnerships	Specific identification
Salaries, payroll taxes and benefits	Headcount/time and effort
Building related expenses	Square footage

Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting 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.

Reclassification

Certain amounts in the 2018 financial statements have been reclassified to conform to the current year presentation.

Continued...

**THE GATHERING OF WEST CHESTER, INC.
D/B/A PROVIDENCE CHURCH**

**Notes to Financial Statements
June 30, 2019 and 2018**

(2) Summary of Significant Accounting Policies, Continued

Concentration of Risk

Financial instruments that potentially expose the Church to a concentration of credit risk consist of cash and cash equivalents. The Church maintains cash balances at financial institutions which may exceed FDIC insurance limits. Management believes that it is not exposed to any significant credit risks on its cash accounts.

Income Taxes

The Church has been recognized by the Internal Revenue Service as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes pursuant to Section 501(c)(1) of the IRC. However, at times, the Church is subject to unrelated business income tax based on its activities. The Church files a Exempt Organization Business Income Tax Return (Form 990T) with the Internal Revenue Service to report its unrelated business taxable income.

For the year ended June 30, 2019, the Church did not identify any uncertain tax positions taken or expected to be taken, which would require adjustment to or disclosure in the financial statements. The Church is potentially subject to federal, state, and local examinations for the years subsequent to June 30, 2015.

Recent Accounting Pronouncements

Leases

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), to increase transparency and comparability among organizations by reporting lease assets and lease liabilities, for both finance (capital) and operating leases, in the balance sheet and disclosing key information about leasing arrangements. The updated guidance is effective for financial statements issued for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Church is currently evaluating the impact of adopting this pronouncement.

Subsequent Events

Management has evaluated subsequent events through October 3, 2019, which is the date the financial statements were available to be issued. Pursuant to the requirements, there were no other events or transactions occurring during the subsequent event reporting period, other than noted below, which require recognition or disclosure in the financial statements.

Continued...

**THE GATHERING OF WEST CHESTER, INC.
D/B/A PROVIDENCE CHURCH**

**Notes to Financial Statements
June 30, 2019 and 2018**

(2) Summary of Significant Accounting Policies, Continued

Subsequent Events, Continued

On July 19, 2019, the Church borrowed \$4,500,000 from Wilmington Savings Fund Society, FSB to refinance the two outstanding mortgage notes (see Note 5) and finance ongoing construction projects. The loan agreement requires monthly interest only payments at the bank's prime rate from August 2019 through July 2022 with one principal payment of \$250,000 in July 2020, one principal payment of \$250,000 in July 2021 and one principal payment of \$2,000,000 in July 2022 to decrease the principal balance to \$2,000,000. Beginning in August 2022, the loan agreement requires monthly payments of the remaining principal amount amortized over twenty five years plus interest at the five year Treasury Bill rate plus 2.50% until July 2032 when the remaining balance is due. In connection with the loan, the Church is subject to certain financial covenants.

(3) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of assets, liabilities and net assets - modified cash basis, comprise the following:

	2019	2018
Cash and cash equivalents	\$ 232,753	\$ 328,374
Other current assets	216	33
	<u>\$ 232,969</u>	<u>\$ 328,407</u>

All cash and cash equivalents are invested in high-yield interest-bearing accounts that are FDIC insured.

(4) Property and Equipment, Net

Property and equipment, net, consisted of the following at June 30, 2019 and 2018:

	2019	2018
Land and land improvements	\$ 858,246	\$ 239,273
Building and improvements	1,751,967	1,563,352
Machinery and equipment	218,451	205,817
	<u>2,828,664</u>	<u>2,008,442</u>
Accumulated depreciation	(492,294)	(417,145)
	<u>\$ 2,336,370</u>	<u>\$ 1,591,297</u>

For the years ended June 30, 2019 and 2018, depreciation expense totaled \$75,149 and \$64,139, respectively.

**THE GATHERING OF WEST CHESTER, INC.
D/B/A PROVIDENCE CHURCH**

**Notes to Financial Statements
June 30, 2019 and 2018**

(5) Notes Payable

The Church has two outstanding mortgage notes with a bank. The first note is payable in monthly installments of \$4,960, including interest at 5%. The final payment is due in April 2037. The note is secured by the Church's real property.

The second note is payable in monthly interest only payments at 5.25% until January 2020 with monthly installments of \$2,247 payable thereafter including interest at 5.75%. The final payment is due in March 2022. The note is secured by the Church's real property.

The balance of the notes payable is \$1,045,764 as of June 30, 2019. As discussed in Note 2, the notes were refinanced subsequent to June 30, 2019.

Future annual minimum principal payments on the new loan are as follows:

Year Ending June 30,	Amount
2020	\$ -
2021	250,000
2022	250,000
2023	2,073,333
2024	80,000
Thereafter	1,846,667
	<u>\$ 4,500,000</u>

(6) Retirement Plan

The Church has adopted a 403(b) savings plan which is available to all employees who normally work at least 20 hours per week. Participants in the plan are eligible for employer matching contributions up to 3% of eligible compensation when they have completed one year of service and have attained age 21.

For the years ended June 30, 2019 and 2018, the Church contributed \$15,638 and \$10,920 to the 403(b) savings plan, respectively.

**THE GATHERING OF WEST CHESTER, INC.
D/B/A PROVIDENCE CHURCH**

**Notes to Financial Statements
June 30, 2019 and 2018**

(7) Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 are restricted for the following purposes:

	2019	2018
Benevolence	\$ 2,353	\$ -
Expand the Table	880,731	331,535
Missions Fund	104,551	91,822
Supports	5,120	2,095
TWLV	7,335	-
	<u>\$ 1,000,090</u>	<u>\$ 425,452</u>