

Assemblies of God – Michigan District

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Year Ended December 31, 2022

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

May 1, 2023

To the Board of Directors
Assemblies of God – Michigan District
10370 Citation Drive
Brighton, MI 48116

We have reviewed the accompanying financial statements of Assemblies of God – Michigan District (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets and cash flows 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 company 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 as a whole. Accordingly, we do not express such an opinion.

Other Comprehensive Basis of Accounting

The financial statements referred to above have been prepared under an other comprehensive basis of accounting – modified cash basis, which is not considered generally accepted accounting principles. Note 1, Summary of Significant Accounting Policies – Basis of Accounting, explains the modified cash basis method of accounting.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles under the modified cash basis of accounting; this includes 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 engagement 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 accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements prepared in accordance with the modified cash basis of accounting.

Pfeffer, Hanniford & Palka, P.C.

Pfeffer, Hanniford & Palka CPA's, PC

**Assemblies of God – Michigan District
Statement of Financial Position – Modified Cash Basis
For the Year Ended December 31, 2022**

ASSETS

Current Assets

Cash and equivalents	\$	1,674,878
Investments		379,902
Land contracts and notes receivable - current portion		<u>378,159</u>

Total Current Assets \$ 2,432,939

Property and Equipment, Net 5,935,252

Long-Term Assets

Land contracts and notes receivable - less current portion 202,137

Total Assets \$ 8,570,328

LIABILITIES AND NET ASSETS

Current Liabilities

State withholding payable	\$	2,611
Accounts Payable		15,318
Current portion of long-term debt		<u>36,127</u>

Total Current Liabilities \$ 54,056

Long-term Liabilities

Notes payable - less current poriton 1,293,031

Total Liabilities 1,347,087

Net Assets

Net assets with donor restrictions		125,367
Net assets without donor restrictions - unrestricted		7,029,669
Net assets without donor restrictions - board restricted		<u>68,205</u>

Total Net Assets 7,223,241

Total Liabilities and Net Assets \$ 8,570,328

See accountants' review report and accompanying notes

Assemblies of God – Michigan District
Statement of Activities & Changes in Net Assets – Modified Cash Basis
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Minister honorarium and appreciation	\$ 1,865,578	\$	\$ 1,865,578
Camp income	1,480,254		1,480,254
Contribution income	11,438		11,438
Events income	723,659		723,659
Miscellaneous Income	137,151		137,151
Donor restricted income		294,811	294,811
Released from donor restrictions	310,586	(310,586)	
Total Revenue	4,528,666	(15,775)	4,512,891
Expenses			
Salaries	1,381,460		1,381,460
Advertising	94,650		94,650
Bank charges	52,691		52,691
Casualty loss expense	467,719		467,719
Coaching	12,661		12,661
Contribution expense	220,175		220,175
Depreciation expense	187,579		187,579
Employment benefits & gifts	94,693		94,693
Events expense	864,500		864,500
Food services expense	383,334		383,334
Insurance expense	334,867		334,867
Meetings expense	8,879		8,879
Minister honorariums	40,143		40,143
Miscellaneous expenses	47,359		47,359
Missionary expense	15,083		15,083
Office expense	120,590		120,590
Postage	9,900		9,900
Professional fees	83,401		83,401
Property taxes	4,092		4,092
Repairs and maintenance	448,160		448,160
Telephone & communications	30,320		30,320
Travel	154,929		154,929
Utilities	280,250		280,250
Total Operating Expenses	5,337,435		5,337,435
Other Income (Expense)			
Interest expense	(61,036)		(61,036)
Loss on land contract	(26,227)		(26,227)
Insurance proceeds - casualty	503,834		503,834
Gain on sale of property	6,726		6,726
Forgiveness of Debt	50,000		50,000
Interest income	26,112		26,112
Total Other Income (Expense)	499,409		499,409
Change in Net Assets	(309,360)	(15,775)	(325,135)
Net Assets at Beginning of Year	7,407,234	141,142	7,548,376
Net Assets at End of Year	<u>\$ 7,097,874</u>	<u>\$ 125,367</u>	<u>\$ 7,223,241</u>

See accountants' review report and accompanying notes

**Assemblies of God – Michigan District
Statement of Cash Flows – Modified Cash Basis
For the Year Ended December 31, 2022**

OPERATING ACTIVITIES

Changes in Net Assets		\$ (325,135)
Adjustments to reconcile changes in net assets to net cash from (used in) operating activities		
Depreciation expense	\$ 187,579	
Gain on sale of assets	(6,726)	
Insurance proceeds, casualty	(503,834)	
Debt forgiveness	(50,000)	
Loss on land contract	26,227	
Decrease (increase) in:		
Loans Receivable	(47,020)	
Land Contracts	162,803	
Increase (decrease) in:		
State withholding payable	(350)	
Accounts payable	<u>15,318</u>	
 Total Adjustments		 <u>(216,003)</u>
 Net cash (used in) operating activities		 (541,138)

INVESTING ACTIVITIES

Proceeds from sale of assets	26,316	
Insurance proceeds, casualty	503,834	
Investments sales and interest income	<u>163,545</u>	
 Net cash provided by investing activities		 693,695

FINANCING ACTIVITIES

Principal payments on loans	<u>(36,206)</u>	
 Net cash provided by finance activities		 <u>(36,206)</u>
 Net increase in cash and cash equivalents		 116,351

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 1,558,527

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 1,674,878

SUPPLEMENTAL CASH FLOW INFORMATION

Interest paid during the year		<u>\$ 61,036</u>
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See accountants' review report and accompanying notes

Assemblies of God - Michigan District
Notes to Financial Statements – Modified Cash Basis
For the Year Ended December 31, 2022

Note 1 - Summary of Significant Accounting Policies

Organization and Nature of Activities

The organization is one of the districts that comprise the Assemblies of God (the "Organization") which is headquartered in Springfield, Missouri. The district is a not-for-profit religious organization that provides leadership, development, and supportive services to its approximately 255-member churches in the state of Michigan. The organization is a not-for-profit organization exempt from federal income tax under section 501(c)(3) on the United States Internal Revenue Code.

In addition to starting and sustaining new churches, the District provides program leadership and resources to help meet the educational needs of the churches. The District also participates in the operation of recreational areas throughout Michigan for use by church groups. Revenue is primarily derived from minister's tithes, church offerings and event support. Funds are extended to develop and support ministries to meet the needs of people served by the district.

Basis of Accounting

The books and records of the Organization are maintained on a modified cash basis method of accounting. Consequently, revenues are recognized when received rather than when earned, and expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Modifications to the cash basis of accounting include capitalizing land, buildings and equipment, recording depreciation on property and equipment, accruing related liabilities and recorded investments at fair market value.

Contributions and Support

Contributions are recognized as revenues when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expired in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions on the nature of the restriction. When restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The revenue and expenses from special events are recognized when cash is received or disbursed. Generally, all the revenues and related expenses for the events will occur within the fiscal year of the combined financial statements.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Assemblies of God - Michigan District
Notes to Financial Statements – Modified Cash Basis
For the Year Ended December 31, 2022

Concentration of Credit Risk

The Federal Deposit Insurance Company (“FDIC”) insures deposits up to \$250,000 in any one financial institution. At times during the year, balances on deposits may exceed this insured amount. Funds held in brokerage accounts are not covered by the FDIC but are covered by the Securities Investor Protection Center (“SIPC”), which protects corporations up to \$500,000, including a \$250,000 limit for cash. The Organization deems this to be an acceptable risk.

Investments

The investments of the Organizations are reported at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). All investments are considered short-term with original maturities of twelve months or less.

Realized gains or losses are determined by the average cost method. Unrealized gains or losses represent the difference between the current fair value and the cost of the investments. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses, interest income, and dividend income are all included in the Statements of Activities and Changes in Net Assets.

Property and Equipment

Property and equipment are carried at cost and donated equipment is recorded at fair value on the date of the donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. All major acquisitions of the organization are capitalized while ordinary maintenance and repairs are expensed. Repairs and maintenance of building and equipment are charged to expenses as incurred. The Organization follows the practice of capitalizing all expenditures in excess of \$2,500 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized.

Long-lived assets, such as property and equipment, are reviewed on an ongoing basis for impairment based on comparison of carrying value against undiscounted future cash flows. If impairment is identified, the assets’ carrying amounts are adjusted to fair value. There were no such adjustments during the year ended December 31, 2022.

Contributed Services

During the year ended December 31, 2022, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. Many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Advertising

The Organization recognizes advertising costs as incurred. Total advertising costs expensed in the year ended December 31, 2022 are \$94,650.

Assemblies of God - Michigan District
Notes to Financial Statements -Modified Cash Basis
For the Year Ended December 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Accounting Estimates

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

Functional Allocation of Expenses

The cost of providing program and other activities has been summarized on a functional basis in Note 11. Indirect costs have been allocated between the program and the support services based on a ratio of staff positions per function or by occupancy based on square footage. Although the method of allocation used is considered appropriate, other methods could be used that would produce a different result.

Income Tax

The Organization is exempt from Federal income tax under Section 501(c)(3) of the United States Internal Revenue Code. However, income from activities not directly related to the Organization's tax exempt purpose is subject to taxation as unrelated business income. Management reviews the Organization's activities regularly to determine if unrelated business taxable income is applicable. As of December 31, 2022, the Organization had no unrelated business taxable income.

Subsequent Events

Management has evaluated subsequent events through May 1, 2023, the date the financial statements were available to be issued and has determined the Organization did not have any recognizable or non-recognizable events.

Note 2 – Employee Benefit Plan

The Organization contributes to a plan under Section 403(b)(7) of the Internal Revenue Code. Full-time department directors, full-time executive officers and full-time supporting staff employees participate in the plan after reaching three years of service. Department directors and executive officers participate upon hire. Employees may elect to make contributions to the annuity contract or Ministries Benefit Association Fund, which is administrated by the General Council of the Assemblies of God.

Contributions to the plan are made through elective salary deferral by the employees and by Organization contributions. The Organization contributes 5% of full-time supporting staff wages after three years of employment and 4% of full-time department directors and full-time executive officers of the plan. There is an additional 4% matching contribution for department directors and executive officers, depending on salary deferral levels. For the year ended December 31, 2022, the Organization's contribution expense totaled \$41,566.

Assemblies of God - Michigan District
Notes to Financial Statements – Modified Cash Basis
For the Year Ended December 31, 2022

Note 3 – Board Restricted Net Assets

Board restricted net assets consist of funds which must be used for a specific purpose as stipulated by the Board of Directors. Board restricted net assets, as of December 31, 2022, are available for the following purposes:

Board Restricted Net Assets	
Brighton Office Building	\$ 27,625
Faholo Camp	36,080
Lost Valley Camp	<u>4,500</u>
Total Board Restricted Net Assets	<u>\$ 68,205</u>

Note 4 – Donor Restricted

Net Assets with donor restrictions consist of funds which must be used for a specific purpose as stipulated by the donor. Net assets with donor restrictions, as of December 31, 2022, are available for the following purposes:

	Balances December 31, 2021	Restricted Income	Released From Restrictions	Balances December 31, 2022
Light for the Lost	\$ 7,600	\$ 5,926	\$ (7,886)	\$ 5,640
Church Planting	24,600		(24,600)	
Sign Bible and Deaf Camp	28,123		(15,823)	12,300
Student Ministries	80,319	123,223	(96,615)	106,927
MiSOM Scholarship	500			500
Various		165,662	(165,662)	
Total Net Assets				
with Donor Restrictions	\$ 141,142	\$ 294,811	\$ (310,586)	\$ 125,367

Distributions will be made as the Organization deems appropriate, to the extent of income earned.

The Organization receives donor restricted income for a number of various causes, which are immediately released to those causes. A listing of such can be obtained from the Organization.

See accountants' review report

Assemblies of God - Michigan District
Notes to Financial Statements – Modified Cash Basis
For the Year Ended December 31, 2022

Note 5 - Land Contracts and Historical Loans

The organization currently has three church properties under land contract and in addition five church properties which serve as collateral for historical loans. The land contracts require monthly payments of interest and principal. The interest rates range between 4% - 7% and conclude at various dates through 2026. The organization sold one property under land contract in 2022 for \$40,000, which resulted in a loss on land contract of \$26,227.

Note 6 – Property and Equipment

Property and equipment consist of the following as of December 31, 2022:

Building and Improvements	\$ 6,593,585
Land	1,673,670
Vehicles	59,402
Furniture, Fixtures, and Equipment	56,510
Total Property and Equipment	8,383,167
LESS: Accumulated Depreciation	(2,447,915)
Property and Equipment, Net	\$ 5,935,252

For the year ended December 31, 2022, the depreciation expense was \$187,579.

Note 7 – Liquidity and Availability of Financial Assets

The Organization’s financial assets available within one year of December 31, 2022 for general expenditures are as follows:

Cash and Cash Equivalents	\$ 1,674,878
Investments	378,159
Donor Restrictions	(125,367)
Board Restrictions	(68,205)
Financial Assets available for general expenditures	\$ 1,859,465

The Organization has a goal to maintain financial assets on hand to meet a minimum of 60 days of normal operating expenses. The Organization structures its financial assets to be available as general expenditures, liabilities and other obligations come due. Also, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. In addition, as part of its liquidity management, the Organization may invest cash in excess of daily requirements in various short-term investments, including equity securities, mutual funds, and registered investment companies.

See accountants' review report

Assemblies of God - Michigan District
Notes to Financial Statements – Modified Cash Basis
For the Year Ended December 31, 2022

Note 8 – Notes Payable

	Balance
Notes payable to AOG Financial Services Group:	\$ 1,292,594
Payable at \$8,070 monthly, including interest at 5.49%. The note matures in 2037 and is secured by Church Property.	
Note payable to Ford Credit:	36,564
Payable at \$778 monthly, with 0% interest. The note matures on November 15, 2026. The note is secured by the 2021 Ford Edge.	
	36,564
Total Notes Payable	\$ 1,329,158

Notes payable principal maturity over the next five years are as follows:

2023	\$	36,127
2024		37,383
2025		38,962
2026		39,855
2027		33,058
Thereafter		1,143,773
Total	\$	1,329,158

NOTE 9 – Fire at FaHoLo Camp

On June 1, 2022 there was a fire at the FaHoLo Camp and conference center. The fire started in the gift shop at the entrance of the 2-story lodge. The fire was contained in the gift shop and only damaged one wall. However, there was extensive smoke damage throughout the entire building, which created the need for removal of carpet and cleaning and repainting. The Organization received \$503,834 of insurance proceeds to cover some of the damage as well as some loss of income.

NOTE 10 – Accounting Pronouncements

During February 2016 the FASB issued ASU 2016-02, "Leases" (Topic 842). ASU 2016-02 establishes principles that require a lessee to recognize a lease asset and a lease liability for those leases classified as operating leases under previous accounting principles generally accepted in the United States of America. ASU 2016-02 is effective for fiscal years beginning after December 31, 2022. The Organization adopted this standard on January 1, 2022. The adoption did not have a material effect on the statement of financial position or statement of activities and changes in net assets.

Assemblies of God - Michigan District
Notes to Financial Statements – Modified Cash Basis
For the Year Ended December 31, 2022

NOTE 11 – Methods Used for Allocation of Expenses Among Program and Supporting Services

Certain categories of expenses that are attributable to one or more program or supporting service of the Organization are presented below. The organization does not have any fundraising expenses that are significant.

	Programs Services	Management & General	Total Expense
Salaries	\$ 679,694	701,766	\$ 1,381,460
Advertising	94,650		94,650
Bank charges	29,937	22,754	52,691
Coaching	8,777	3,884	12,661
Contribution expense	167,823	52,352	220,175
Depreciation expense	131,273	56,306	187,579
Employment benefits & gifts	6,686	88,007	94,693
Events expense	811,477	53,023	864,500
Food services expense	383,334		383,334
Insurance expense	633,961	168,625	802,586
Meetings expense	5,547	3,332	8,879
Minister honorariums	7,000	33,143	40,143
Miscellaneous expenses	4,100	43,259	47,359
Missionary expense	2,883	12,200	15,083
Office expense	51,431	69,159	120,590
Postage	1,213	8,687	9,900
Professional fees	62,645	20,756	83,401
Property taxes	4,092		4,092
Repairs and maintenance	428,939	19,221	448,160
Telephone & communications	25,475	4,845	30,320
Travel	63,655	91,274	154,929
Utilities	265,795	14,455	280,250
Total Operating Expenses	\$ 3,870,387	\$ 1,467,048	\$ 5,337,435