

FIRST PRESBYTERIAN CHURCH OF BOULDER
FINANCIAL STATEMENTS
JUNE 30, 2019

FIRST PRESBYTERIAN CHURCH OF BOULDER

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Members
First Presbyterian Church of Boulder
Boulder, Colorado

We have audited the accompanying financial statements of First Presbyterian Church of Boulder (the Church), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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 generally accepted in the United States of America; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Presbyterian Church of Boulder as of June 30, 2019, 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.

MIDDLEMIST, CROUCH & CO., CPA's, P.C.

Middlemist Crouch & Company, CPA's

Boulder, Colorado
January 7, 2020

FINANCIAL STATEMENTS

FIRST PRESBYTERIAN CHURCH OF BOULDER
Statement of Financial Position
June 30, 2019

ASSETS

	2019
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,791,661
Contributions receivable (net of allowance of \$125,000)	1,841,376
Prepaid expenses	21,471
Total current assets	3,654,508
NONCURRENT ASSETS	
Property and equipment (net)	5,581,049
Notes receivable - long-term	513,600
Restricted cash	62,600
Total noncurrent assets	6,157,249
Total assets	\$ 9,811,757

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 112,763
Accrued vacation	58,006
Accrued sabbatical leave	59,397
Current portion of PCUSA dismissal fee	171,112
Total current liabilities	401,278
PCUSA dismissal fee	855,552
NET ASSETS	
Without donor restrictions	4,578,470
Without donor restrictions-Board designated	1,158,144
Total unrestricted	5,736,614
With donor restriction	2,818,313
Total net assets	8,554,927
Total liabilities & net assets	\$ 9,811,757

See accompanying notes to financial statements

FIRST PRESBYTERIAN CHURCH OF BOULDER
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Contributions and bequests	\$ 1,541,237	\$ 2,436,174	\$ 3,977,411
Investment income	16,345	461	16,806
Total support and revenue	<u>1,557,582</u>	<u>2,436,635</u>	<u>3,994,217</u>
Net assets released from restriction	<u>2,874,297</u>	<u>(2,874,297)</u>	<u>-</u>
Total support, revenue and net assets released	4,431,879	(437,662)	3,994,217
Expenses			
Missions and program services			
Missions	472,370	-	472,370
Program services	2,158,072	-	2,158,072
Total missions and program services	<u>2,630,442</u>	<u>-</u>	<u>2,630,442</u>
Management and general expenses			
Church operations and maintenance	1,857,402	-	1,857,402
Fundraising	2,800	-	2,800
Total supporting services	<u>1,860,202</u>	<u>-</u>	<u>1,860,202</u>
Total expenses	4,490,644	-	4,490,644
All In! campaign revenue	-	171,112	171,112
All In! campaign expenditures	-	(171,112)	(171,112)
Net capital campaign	-	-	-
Loss on disposal of assets	<u>(4,623)</u>	<u>-</u>	<u>(4,623)</u>
Increase (Decrease) in net assets	(63,388)	(437,662)	(501,050)
Net assets beginning of year	5,800,002	3,255,975	9,055,977
Net assets end of year	<u>\$ 5,736,614</u>	<u>\$ 2,818,313</u>	<u>\$ 8,554,927</u>

See accompanying notes to financial statements

FIRST PRESBYTERIAN CHURCH OF BOULDER
Statement of Functional Expenses
For the year ended June 30, 2019

	Missions and Programs		Management & General	Fundraising	2019 Total
	Mission	Program			
Salaries & Benefits	\$ 88,292	\$ 1,483,622	\$ 1,571,914	\$ 457,863	\$ 2,029,777
Facilities & Equipment: Maintenance & Supplies	-	13,286	13,286	581,225	594,511
Utilities	-	-	-	125,466	125,466
Mission, Outreach, Benevolence, Support	384,078	937	385,015	514	385,529
Education, Training, Leadership, Development	-	42,353	42,353	2,631	44,984
Insurance	-	-	-	96,271	96,271
Administrative, Professional, Service fees	-	-	-	50,952	50,952
Program & Operations Equipment & Supplies	-	609,983	609,983	98,710	711,493
Repairs and maintenance	-	7,891	7,891	9,921	17,812
Miscellaneous	-	-	-	13,873	13,873
Depreciation	-	-	-	419,976	419,976
Total	\$ 472,370	\$ 2,158,072	\$ 2,630,442	\$ 1,857,402	\$ 4,490,644

See accompanying notes to financial statements

FIRST PRESBYTERIAN CHURCH OF BOULDER
Statement of Cash Flows
For the year ended June 30, 2019

Cash flows from operating activities:	
Change in net assets	\$ (501,050)
Adjustments to reconcile change in net assts to net cash (used by) operating activities:	
Loss on disposal of assets	4,623
Depreciation expense	419,976
(Increase)/Decrease in contributions receivable	325,131
Decrease in prepaid expenses	17,264
Increase/(Decrease) in accounts payable	97,954
Increase/(Decrease) in accrued sabbatical and vacation	17,948
Net cash provided (used) by operating activities	<u>381,846</u>
 Cash flows from investing activities:	
Purchase of property and equipment	<u>-</u>
Net cash (used) by investing activities	-
 Cash flows from financing activities:	
Housing loan	(152,000)
Dismissal fee liability	<u>(171,112)</u>
Net cash provided by financing activities	<u>(323,112)</u>
 Net increase/(decrease) in cash and cash equivalents	58,734
 Cash and cash equivalents at beginning of period	<u>1,732,927</u>
 Cash and cash equivalents at end of period	<u><u>\$ 1,791,661</u></u>

See accompanying notes to financial statements

NOTE 1- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The First Presbyterian Church of Boulder (the Church) is incorporated as a nonprofit corporation in Colorado. The Church is supported primarily through contributions from the congregation.

Basis of Accounting

The financial statements of the Church have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ASC 958, Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. When the Board of Trustees designates funds for a specific purpose or time restriction, without donor restriction net assets are reclassified to without donor restriction board-designated net assets.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial investments.

Property and Equipment

Property and equipment are carried at cost, or if donated, at the approximate fair value at the date of donation. Donations are reported as without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as with donor restriction. Absent donor stipulations regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Depreciation is computed using the straight-line method over the estimated useful life. Additions and improvements over \$2,500 and with a useful life greater than one year are capitalized. Ordinary maintenance and repair expenses are expensed as incurred.

Contributed Services

The Church receives a substantial amount of donated services by its members in carrying out the church ministry. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under FASB ASC 958.

First Presbyterian Church of Boulder
Notes to Financial Statements
June 30, 2019

NOTE 1- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Allocated Expenses

Expenses by function have been allocated among program and supporting services classifications on the basis of specific identification of actual expenses incurred.

Income Taxes

The Church is exempt from income taxes under Internal Revenue Service Code Section 501 (c)(3).

Contributions Receivable

FASB ASC 958, requires contributions to be recognized as revenue in the period the asset is received at its fair value. Under FASB ASC 958, a pledge is recognized when the Church receives an unconditional promise to give (pledge) from the donor. Contributions receivable are reported net of an allowance for doubtful accounts. The allowance is based on the actual experience of the prior three years.

New Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses.

NOTE 2- CASH AND CASH EQUIVALENTS

The Church has cash and investments in money market funds and certificates of deposit, which are considered cash equivalents, as of June 30, 2019, as follows:

Wells Fargo Checking	\$ 72,699
Petty Cash & postage reserve	1,240
Ameritrade	274,321
Charles Schwab	1,506,001
Total Cash and Cash Equivalents	<u>\$1,854,261</u>

Uninsured cash balances at June 30, 2019 were \$0.

NOTE 3- CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2019, consisted of the following:

Unconditional promises to give	\$ 1,966,376
Allowance for uncollectible	<u>(125,000)</u>
Net unconditional promises to give	<u>\$ 1,841,376</u>

All contributions are due in less than one year and are reported as current assets on the Statement of Financial Position.

First Presbyterian Church of Boulder
Notes to Financial Statements
June 30, 2019

NOTE 4- PROPERTY AND EQUIPMENT

The major components of property and equipment as of June 30, 2019 are:

Church land	\$ 75,000
Buildings and improvements	14,698,033
Furniture and equipment	873,860
Vehicles	78,031
	15,724,924
Accumulated depreciation	(10,143,875)
Net property and equipment	\$ 5,581,049

NOTE 5- INVESTMENT INCOME

Investment income consists of the following as of June 30, 2019:

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 11,578	\$ 461	\$ 12,039
Realized gain(loss)	-	-	-
Unrealized gain(loss)	4,767	-	4,767
Investment income	\$ 16,345	\$ 461	\$ 16,806

NOTE 6- PENSION EXPENSE

The Church offers staff employees the opportunity for participation in a 403(b)(7) contributory retirement plan. The Church's contribution is from 5% to 7% of their regular salary depending on completed years of service. In addition, the pastoral staff of the Church participates in the Benefits Plan of the Presbyterian Church and the ECO. Contributions are 11% of the pastors' salary. Pension expense is as follows:

Ordained personnel	\$ 9,318
Non-ordained personnel	47,377
	\$ 56,695

These amounts are allocated among the programs and supporting services benefited in the Statement of Activities and Statement of Functional Expenses.

NOTE 7- CHANGE IN FISCAL YEAR

The Church approved changing its fiscal year end from December 31 to June 30. The change took effect as of January 1, 2018. The six months ending June 30, 2018, was a short year with the first full fiscal year being July 1, 2018 through June 30, 2019. During the short year, January 1, 2018 through June 31, 2018, the following matters occurred:

1. On April 13, 2018, the Church sold the Windsor land to the Windsor Church of Christ for \$335,000. Net proceeds were \$314,044, the sale resulted in a loss of \$85,955.
2. On May 31, 2018, the Church made a contribution to The Presbyterian Foundation of Boulder, dba FaithBridge Foundation in the amount of \$470,000.
3. The short year generated a net deficit of \$1,740,820.

NOTE 8- NOTES RECEIVABLE-HOUSING

The Church has four notes receivable totaling \$513,600 at June 30, 2019, from certain clergy and other eligible staff per the Housing Assistance Policy which arose from advances made to assist them with the purchase of their homes.

The notes are evidenced by a Housing Assistance Loan Agreement and secured by a Deed of Trust on the Residence and a Promissory Note. The notes bear interest at a fixed rate equal to the Applicable Federal Long Term Rate established under Internal Revenue Code Section 1274(d). Borrower shall make interest payments twice per month. The principal is repayable upon sale or abandonment of the property or if the property is no longer the principal residence, termination of employment or default, in accordance with Section 4 of the Housing Assistance Loan Agreement.

NOTE 9- LEASES

The Church leases office equipment under 2 separate leases which expire in 2019. The monthly lease payments total \$585. Rental expense for the year ended June 30, 2019 was \$7,028. Future minimum lease payments are as follows:

Fiscal year 2020	\$4,000
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NOTE 10- SABBATICAL

Pursuant to the FASB ASC 710-10-50-1 Accounting for Compensated Absences, employers must accrue an expense for future sabbaticals over the service period during which the benefits are earned. The Church's sabbatical policy allows for a one or two month sabbatical, depending on job title, after seven years of service. The expense recorded as compensation in the financial statements for the fiscal year ended June 30, 2019 was \$13,150.

NOTE 11- FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities is measured according to the Fair Value Measurements and disclosures topic of the FASB Accounting Standards Codification. Fair value is required to be evaluated and adjusted according to the following valuation techniques.

Level 1 – Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2 – Fair value is determined using quoted market prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the market for substantially the full term of the assets or liabilities.

Level 3 – Fair value is determined using inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The market for assets and liabilities using level 3 measures is typically inactive.

NOTE 12-FAIR VALUE OF FINANCIAL INSTRUMENTS-continued

Assets and Liabilities Measured on a Recurring Basis

Cash and cash equivalents, receivables, prepaid expenses, accrued expenses and accounts payables: The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

NOTE 13- LINE OF CREDIT

The Church has an unsecured business line of credit from Wells Fargo Bank with a credit limit of \$25,000. The line of credit matures on June 30, 2020. Interest rate is 11.75%. The balance owing at June 30, 2019 was \$0.

NOTE 14- REPLACEMENT RESERVES

In 2014, the Church had a replacement reserve analysis prepared. The analysis identified 303 projected replacements for funding with an estimated on-time replacement cost of \$4,201,298. The Replacement Reserve Analysis calculates recommended funding of Replacement Reserves by the Cash Flow Method. The Cash Flow Method (CFM) calculates Minimum Annual Funding of Replacement Reserves that will fund Projected Replacements identified in the Replacement Reserve Inventory from a common pool of Replacement Reserves and prevent Replacement Reserves from dropping below a Minimum Recommended Balance. Annual minimum funding under this method is \$240,513. As of June 30, 2019, the Church has funded \$160,588 of this reserve and has an unfunded balance of \$801,464.

NOTE 15- PRESBYTERIAN FOUNDATION OF BOULDER

The Presbyterian Foundation of Boulder, dba FaithBridge Foundation, was established in 2008 and is a 501c(3) charitable organization. The Board of Directors are elected and independent from the Church and the Church and its Trustees exercise no control over the Foundation's operations. All donations from the Church are held in a Donor Advised Fund. During the year ended June 30, 2019, the Church made donations to the Foundation in the amount of \$0. The University Ministry of the Church received a \$171,112 grant from the Donor Advised Fund at the Foundation.

NOTE 16- PCUSA DISMISSAL

On October 22, 2015, the Church executed an agreement with the Presbytery of Plains and Peaks to dismiss the Church from the Presbyterian Church U.S.A. (PCUSA). The Church has agreed to pay a settlement payment \$2,290,000 to the Presbytery divided between a payment of \$1,890,000, the Dismissal payment, and \$400,000 for the purchase of real property located in Windsor, Colorado.

The Church made its first payment of \$750,000 to the Presbytery on January 28, 2016. The remaining \$1,540,000 will be paid in annual installments of \$171,112 over 9 years with 0% interest and no prepayment penalty for early payoff. The amount due as of June 30, 2019, was \$1,026,664.

First Presbyterian Church of Boulder
Notes to Financial Statements
June 30, 2019

NOTE 17- LIQUIDITY AND AVAILABILITY

The Church regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Church has various sources of liquidity at its disposal, including cash and cash equivalent.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Church considers all expenditures related to its ongoing activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Church operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted funds. Refer to the statement of cash flows which identifies the sources and uses of the Church's cash and shows positive cash generated by operations for fiscal years 2019.

The following table reflects the Church's financial assets as of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor-imposed restrictions or internal board designations.

Financial Assets:	
Cash and cash equivalents	\$ 1,849,494
Accounts receivable	<u>1,841,376</u>
Total Financial Assets	<u>3,690,870</u>
Less those unavailable for general expenditure within one year due to:	
Board Designated Provision for Plant Replacement, Renewal and Special Maintenance (PPRRSM)	(61,921)
Donor restricted funds, not including accounts receivable	<u>(976,937)</u>
	<u>(1,038,858)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,652,012</u>

NOTE 18- SUBSEQUENT EVENTS

The Church did not have any subsequent events through January 7, 2020, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2019.