

BROOKWOOD CHURCH

SIMPSONVILLE, SOUTH CAROLINA

**Financial Statements
September 30, 2023 and 2022**

(With Independent Auditors' Report Thereon)

**BROOKWOOD CHURCH
SIMPSONVILLE, SOUTH CAROLINA
September 30, 2023 and 2022**

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MARTIN · SMITH
—
& COMPANY CPAs

INDEPENDENT AUDITORS' REPORT

Advisory Committee
Brookwood Church
Simpsonville, South Carolina

Opinion

We have audited the accompanying statement of financial position of Brookwood Church (“the Church”) (a nonprofit organization) as of September 30, 2023 and the related statements of activities, cash flows, and functional expenses, as well as the related notes to the financial statements, for the year then ended. The financial statements of Brookwood Church as of, and for the year ended, September 30, 2022, were audited by other auditors whose report dated December 8, 2022, expressed an unqualified opinion on those statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brookwood Church as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for 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 Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brookwood 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.

Responsibility of Management 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 the 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 the Church’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors’ 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 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.

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 purpose of expressing an opinion on the effectiveness of the 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 the 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.

Martin Smith and Company CPAs PA

Martin Smith & Company CPAs, PA
Greenville, South Carolina
December 23, 2023

BROOKWOOD CHURCH
STATEMENTS OF FINANCIAL POSITION
September 30, 2023 and 2022

ASSETS

| | <u>2023</u> | <u>2022</u> |
|-----------------------------|----------------------|----------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 2,822,412 | \$ 2,348,256 |
| Other assets | 67,401 | 373,537 |
| Property and equipment, net | <u>15,833,381</u> | <u>16,070,328</u> |
| Total assets | <u>\$ 18,723,194</u> | <u>\$ 18,792,121</u> |

LIABILITIES AND NET ASSETS

| | | |
|---|----------------------|----------------------|
| Liabilities: | | |
| Accounts payable | \$ 23,963 | \$ 98,834 |
| Accrued expenses | 311,514 | 276,505 |
| Deferred revenue | 43,239 | 60,124 |
| Capital lease obligations | <u>61,202</u> | <u>91,570</u> |
| Total liabilities | <u>439,918</u> | <u>527,033</u> |
| Net assets: | | |
| Without donor restrictions: | | |
| Invested in property and equipment, net | 15,772,179 | 15,978,758 |
| Board-designated capital reserve | 933,906 | 676,547 |
| Undesignated | <u>1,577,191</u> | <u>1,609,490</u> |
| Total without donor restrictions | <u>18,283,276</u> | <u>18,264,795</u> |
| With donor restrictions | <u>-</u> | <u>293</u> |
| Total net assets | <u>18,283,276</u> | <u>18,265,088</u> |
| Total liabilities and net assets | <u>\$ 18,723,194</u> | <u>\$ 18,792,121</u> |

See accompanying notes to financial statements.

BROOKWOOD CHURCH
STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2023 and 2022

| | <u>2023</u> | | | <u>2022</u> | | |
|---|---------------------------------------|------------------------------------|----------------------|---------------------------------------|------------------------------------|----------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Revenue and support: | | | | | | |
| Contributions | \$ 7,934,858 | \$ 9,333 | \$ 7,944,191 | \$ 7,698,695 | \$ 293 | \$ 7,698,988 |
| Program revenue | 1,280,073 | - | 1,280,073 | 1,056,154 | - | 1,056,154 |
| Grant revenue | - | - | - | 504,550 | - | 504,550 |
| Other income | 42,933 | - | 42,933 | 12,543 | - | 12,543 |
| Net assets released from restrictions | 9,626 | (9,626) | - | 6,104 | (6,104) | - |
| | <u>9,267,490</u> | <u>(293)</u> | <u>9,267,197</u> | <u>9,278,046</u> | <u>(5,811)</u> | <u>9,272,235</u> |
| Total revenue and support | | | | | | |
| Expenses: | | | | | | |
| Program services: | | | | | | |
| Communicating with God | 948,806 | - | 948,806 | 815,987 | - | 815,987 |
| Caring for Others at Brookwood | 1,144,841 | - | 1,144,841 | 1,088,141 | - | 1,088,141 |
| Caring for Others - Community & World | 1,801,014 | - | 1,801,014 | 1,780,858 | - | 1,780,858 |
| Connecting with Christians - Families | 3,072,719 | - | 3,072,719 | 3,021,138 | - | 3,021,138 |
| Connecting with Christians - Discipleship | 1,040,029 | - | 1,040,029 | 906,791 | - | 906,791 |
| | <u>8,007,409</u> | <u>-0-</u> | <u>8,007,409</u> | <u>7,612,915</u> | <u>-0-</u> | <u>7,612,915</u> |
| Supporting services: | | | | | | |
| Management and general | 1,241,600 | - | 1,241,600 | 1,138,968 | - | 1,138,968 |
| | <u>1,241,600</u> | <u>-0-</u> | <u>1,241,600</u> | <u>1,138,968</u> | <u>-0-</u> | <u>1,138,968</u> |
| Total expenses | <u>9,249,009</u> | <u>-0-</u> | <u>9,249,009</u> | <u>8,751,883</u> | <u>-0-</u> | <u>8,751,883</u> |
| Changes in net assets | 18,481 | (293) | 18,188 | 526,163 | (5,811) | 520,352 |
| Net assets at beginning of year | <u>18,264,795</u> | <u>293</u> | <u>18,265,088</u> | <u>17,738,632</u> | <u>6,104</u> | <u>17,744,736</u> |
| Net assets at end of year | <u>\$ 18,283,276</u> | <u>\$ -0-</u> | <u>\$ 18,283,276</u> | <u>\$ 18,264,795</u> | <u>\$ 293</u> | <u>\$ 18,265,088</u> |

See accompanying notes to financial statements.

BROOKWOOD CHURCH
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 18,188 | \$ 520,352 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation | 718,463 | 692,355 |
| Changes in operating assets and liabilities: | | |
| Other assets | 306,136 | (294,410) |
| Accounts payable | (74,871) | 21,774 |
| Accrued expenses | 35,009 | 32,708 |
| Deferred revenue | (16,885) | (5,070) |
| Net cash provided by operating activities | <u>986,040</u> | <u>967,709</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (481,516) | (680,987) |
| Net cash used in investing activities | <u>(481,516)</u> | <u>(680,987)</u> |
| Cash flows from financing activities: | | |
| Principal payments on capital lease obligations | (30,368) | (34,783) |
| Net cash provided by financing activities | <u>(30,368)</u> | <u>(34,783)</u> |
| Net increase in cash | 474,156 | 251,939 |
| Cash and cash equivalents at beginning of year | <u>2,348,256</u> | <u>2,096,317</u> |
| Cash and cash equivalents at end of year | <u>\$ 2,822,412</u> | <u>\$ 2,348,256</u> |
| Other cash flow activity: | | |
| Interest paid | <u>\$ 4,216</u> | <u>\$ 6,069</u> |

See accompanying notes to financial statements.

BROOKWOOD CHURCH
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended September 30, 2023 and 2022

| 2023 | | | | | | | | | |
|----------------------------|---------------------------|--------------------------------------|--|---|---|------------------------------|---------------------------|---------------------|--|
| Program Services | | | | | | | Supporting Services | | |
| | Communicating with God | Caring for Others at Brookwood | Caring for Others - Community & World | Connecting with Christians - Families | Connecting with Christians - Discipleship | Total Program Services | Management and General | Total | |
| Compensation and benefits | \$ 646,179 | \$ 823,220 | \$ 413,605 | \$ 1,898,372 | \$ 532,966 | \$ 4,314,342 | \$ 868,364 | \$ 5,182,706 | |
| Contributions to missions | - | - | 1,223,399 | - | - | 1,223,399 | - | 1,223,399 | |
| Depreciation | 61,931 | 85,282 | 33,839 | 374,679 | 134,927 | 690,658 | 27,805 | 718,463 | |
| Repairs and maintenance | 3,667 | 2,669 | 1,059 | 11,724.00 | 4,222 | 23,341 | 870 | 24,211 | |
| Utilities | 16,331 | 22,430 | 8,900 | 98,544 | 35,487 | 181,692 | 7,313 | 189,005 | |
| Facilities | 33,448 | 46,058 | 18,276 | 202,355 | 72,871 | 373,008 | 15,017 | 388,025 | |
| Insurance | 3,522 | 4,850 | 1,925 | 21,716 | 7,674 | 39,687 | 1,581 | 41,268 | |
| Information technology | 12,099 | 16,660 | 6,611 | 73,196 | 26,359 | 134,925 | 5,432 | 140,357 | |
| Supplies | 12,293 | 35,022 | 28,876 | 225,125 | 170,146 | 471,462 | - | 471,462 | |
| Cost of bookstore and café | 7,988 | - | - | - | 25,624 | 33,612 | - | 33,612 | |
| Other expenses | 151,348 | 108,650 | 64,524 | 167,008 | 29,753 | 521,283 | 315,218 | 836,501 | |
| | <u>\$ 948,806</u> | <u>\$ 1,144,841</u> | <u>\$ 1,801,014</u> | <u>\$ 3,072,719</u> | <u>\$ 1,040,029</u> | <u>\$ 8,007,409</u> | <u>\$ 1,241,600</u> | <u>\$ 9,249,009</u> | |

See accompanying notes to financial statements.

BROOKWOOD CHURCH
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended September 30, 2023 and 2022

| 2022 | | | | | | | | | |
|---------------------------|---------------------------|--------------------------------------|--|---|---|------------------------------|---------------------------|---------------------|--|
| Program Services | | | | | | | Supporting Services | | |
| | Communicating with God | Caring for Others at Brookwood | Caring for Others - Community & World | Connecting with Christians - Families | Connecting with Christians - Discipleship | Total Program Services | Management and General | Total | |
| Compensation and benefits | \$ 607,117 | \$ 804,822 | \$ 382,242 | \$ 1,882,898 | \$ 507,595 | \$ 4,184,674 | \$ 855,463 | \$ 5,040,137 | |
| Contributions to missions | - | - | 1,264,413 | - | - | 1,264,413 | - | 1,264,413 | |
| Depreciation | 59,681 | 82,183 | 32,610 | 361,063 | 130,024 | 665,561 | 26,794 | 692,355 | |
| Repairs and maintenance | 7,211 | 4,290 | 1,702 | 18,850.00 | 6,788 | 38,841 | 1,399 | 40,240 | |
| Utilities | 15,512 | 21,360 | 8,476 | 93,843 | 33,794 | 172,985 | 6,964 | 179,949 | |
| Facilities | 30,682 | 42,250 | 16,765 | 185,621 | 66,845 | 342,163 | 13,775 | 355,938 | |
| Insurance | 3,135 | 4,317 | 1,713 | 19,371 | 6,830 | 35,366 | 1,408 | 36,774 | |
| Information technology | 9,189 | 12,653 | 5,021 | 55,592 | 20,019 | 102,474 | 4,125 | 106,599 | |
| Supplies | 31 | 19,832 | 24,396 | 230,498 | 101,723 | 376,480 | - | 376,480 | |
| Other expenses | 83,429 | 96,434 | 43,520 | 173,402 | 33,173 | 429,958 | 229,040 | 658,998 | |
| | <u>\$ 815,987</u> | <u>\$ 1,088,141</u> | <u>\$ 1,780,858</u> | <u>\$ 3,021,138</u> | <u>\$ 906,791</u> | <u>\$ 7,612,915</u> | <u>\$ 1,138,968</u> | <u>\$ 8,751,883</u> | |

See accompanying notes to financial statements.

BROOKWOOD CHURCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

1) **NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

a) **Nature of Organization**

Brookwood Church (“the Church”), organized in 1993 in Greenville, South Carolina, is a nonprofit organization operating as a religious organization under the laws of the state of South Carolina. The Church currently ministers from its campus located in Simpsonville, South Carolina. The Church is dedicated to encouraging each other toward a transformative relationship with Jesus, in addition to loving God and loving people by pursuing these tangible priorities: Communicating with God, Connecting with Christians, and Caring for Others.

The Church is supported primarily through contributions from the congregation, as well as tuition from Brookwood Preschool Academy (“the Academy”) that is operated by the Church. The Church is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (“the Code”) and comparable state law. Contributions to the Church are deductible from income taxes within the limitations prescribed by the Code. The Church is not a private foundation under Section 509(a)(1) of the Code.

b) **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and, accordingly, reflect all significant receivables, payables, and other liabilities.

c) **Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (“FASB”) in the *Accounting Standards Codification* (“ASC”). Under FASB ASC, 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 - Net assets not subject to donor-imposed stipulations and currently available for operating purposes under the direction of the Advisory Committee (“the Committee”), designated by the Committee for specific purposes, or invested in property and equipment.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Church and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

d) **Contributions and Revenue**

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are recognized when received or when the donor makes an unconditional promise to give to the Church. Contributions which are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon the satisfaction of the time or purpose restrictions.

Noncash contributions (including securities, property, and equipment) are recorded as support at their estimated fair value at the date of the donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. The Church’s policy is to convert donated securities to cash immediately upon receipt of the gift.

BROOKWOOD CHURCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

1) NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

d) Contributions and Revenue, Continued

The Academy's tuition and fees are recognized in the fiscal year in which the academic programs are provided to students. Fees are considered non-refundable. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the tuition and fees are recognized ratably over the course of the academic year. Payments received for future periods are reported as deferred revenue. Substantially all deferred revenue at September 30, 2023 and 2022, was recognized as revenue during the following year. All other exchange revenue is recognized when earned.

e) Cash and Cash Equivalents

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

f) Property and Equipment

The Church records property and equipment at cost if purchased and at fair market value if donated. Major additions greater than \$5,000 are capitalized and major items retired are removed from the accounts. Replacements, maintenance, and repairs which do not improve or extend the life of the respective assets are currently expensed. Straight-line depreciation is taken on the recorded value of the property and equipment over the estimated useful lives of the respective assets. These lives range from three to thirty-ninety years. No depreciation is taken on land or construction in progress. Net gains or losses on sales of property and equipment are reflected in current operations.

g) Income Tax Exemption

The Church is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and, accordingly, is also exempt from state income taxes. The Church has adopted the provisions of the *Accounting for Uncertainty in Income Taxes* topic of FASB ASC. This guidance addresses the accounting uncertainty in income taxes recognized in an organization's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. It also provides related guidance on measurement classification, interest and penalties, and disclosure. As a result of the implementation of this guidance, the Church has determined that it has no uncertain tax positions requiring accrual and disclosure. Therefore, no provision for federal or state income taxes has been made in these financial statements.

h) Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to the Church. These volunteers have a significant impact on making the ministry effective. However, the value of these services is not recorded in the financial statements because it does not meet the definition of donated services required to be recorded.

i) Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

j) Statements of Financial Position Presentation

Assets and liabilities presented in the Statements of Financial Position are recorded in order of liquidity or nearness to conversion to cash.

k) Use of Estimates

The preparation of financial statements in conformity with 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.

BROOKWOOD CHURCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

2) CASH AND CASH EQUIVALENTS

The Church maintains cash accounts with a financial institution in Greenville, South Carolina, and these accounts are protected by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. During the fiscal year ending September 30, 2023, the Church established an Insured Cash Sweep account, which provides FDIC coverage to designated accounts. As of September 30, 2023, uninsured cash balances placed with this bank totaled \$250,000. The Church has not experienced any losses on these accounts.

3) PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30, 2023 and 2022:

| | 2023 | 2022 |
|-------------------------------------|---------------|---------------|
| Buildings and building improvements | \$ 15,812,859 | \$ 15,409,894 |
| Land and land improvements | 7,661,937 | 7,643,136 |
| Equipment | 5,788,360 | 5,796,960 |
| Furniture and fixtures | 1,248,377 | 1,276,475 |
| Vehicles | 35,328 | 68,404 |
| | 30,546,861 | 30,194,869 |
| Less accumulated depreciation | (14,713,480) | (14,124,541) |
| | \$ 15,833,381 | \$ 16,070,328 |

Depreciation expense for the years ended September 30, 2023 and 2022 was \$718,463 and \$692,355, respectively.

4) LINE OF CREDIT

The Church has a \$3,000,000 line of credit that matures in June 2025. The line of credit balance was \$-0- at September 30, 2023 and 2022. Interest is based on the 30-Day LIBOR rate plus 1.50%. Debt is collateralized by buildings and land. Interest expense under this line of credit totaled \$-0- for the years ended September 30, 2023 and 2022. The Church is in compliance with all restrictive covenants as of September 30, 2023.

5) CAPITAL LEASES

The Church is obligated under capital leases that expire March 2025 and December 2025, respectively. Interest expense totaled \$4,216 and \$6,069 for the years ended September 30, 2023 and 2022, respectively. The gross amount of equipment and related accumulated amortization recorded under these capital leases was as follows:

| | 2023 | 2022 |
|-------------------------------|-------------|-------------|
| Equipment | \$ 126,141 | \$ 126,141 |
| Less accumulated amortization | (67,391) | (42,163) |
| | \$ 58,750 | \$ 83,978 |

**BROOKWOOD CHURCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022**

5) CAPITAL LEASES, Continued

Future minimum capital lease payments as of September 30, 2023, are:

| | | |
|---|----|----------------------|
| 2024 | \$ | 29,837 |
| 2025 | | 28,427 |
| 2026 | | <u>6,755</u> |
| Less amount representing interest | | <u>(3,817)</u> |
| Present value of net minimum capital lease payments | \$ | <u><u>61,202</u></u> |

6) EMPLOYEE BENEFIT PLAN

The Church has a defined contribution retirement plan for its employees through GuideStone Financial Resources. All pastors and full-time employees are eligible for the program. The Church makes contributions of up to 5% of the employee's salary on behalf of eligible employees. Total retirement expenses for the years ended September 30, 2023 and 2022, were \$158,142 and \$133,835, respectively.

7) EMPLOYEE WELFARE PLAN

The Church has an employee welfare plan that provides health benefits to its employees. The plan is administered by an insurance provider, but partial liability for benefits is retained by the Church. The Church chose a high deductible plan and provides partial payments of the deductible. The Church pays claims falling between \$1,401 - \$2,200 for individuals and \$2,701 - \$4,400 for families. Claims paid by the Church are accrued based upon the aggregate of the liability for reported claims and an estimated liability for claims incurred but not reported. The liability is included with accrued expenses and the liability as of September 30, 2023 and 2022, was \$11,827 and \$12,680, respectively.

8) NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes during the years ended September 30, 2023 and 2022, for missions trips in the amounts of \$9,626 and \$6,104, respectively.

BROOKWOOD CHURCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

9) NET ASSETS

Net assets are available for the following purposes as of September 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---------------|---------------|
| Without donor restrictions: | | |
| Invested in property and equipment, net | \$ 15,772,179 | \$ 15,978,758 |
| Board-designated | 933,906 | 675,547 |
| Undesignated | 1,577,191 | 1,609,490 |
| | 18,283,276 | 18,263,795 |
| With donor restrictions: | | |
| Missions trips | - | 293 |
| | \$ 18,283,276 | \$ 18,264,088 |

10) FAIR VALUES OF FINANCIAL INSTRUMENTS

The Church follows the provisions of the *Fair Value Measurements and Disclosures* topic of FASB ASC. This guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

This guidance defines fair value as the price 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. It also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. Level 1 inputs represent fair values obtained using quoted prices in active markets. Level 2 inputs represent fair values obtained from observable market data but not from quoted market prices. Level 3 inputs represent unobservable inputs that are supported by little or no market activity and are generally based on the entity's own assumptions.

The following methods and assumptions are used to estimate the fair value of each financial instrument:

Cash and cash equivalents, accounts payable, and accrued expenses – the carrying values approximate fair value due to their short maturities.

BROOKWOOD CHURCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

11) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Church’s financial assets as of September 30, 2023 and 2022, reduced by amounts not available for general expenditure within one year because of contractual or donor-imposed restrictions. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Church has the following financial assets that could readily be made available within one year of the Statements of Financial Position date to fund expenses without limitations:

| | 2023 | 2022 |
|--|---------------------|---------------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 2,822,412 | \$ 2,348,256 |
| Less those unavailable for general expenditures within one year due to: | | |
| Donor imposed restrictions | - | (293) |
| Board-designated capital reserve | (933,906) | (676,547) |
| | (933,906) | (676,840) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 1,888,506 | \$ 1,671,416 |

As of September 30, 2023 and 2022, respectively, the Church has financial assets available to meet general expenditures equal to approximately 80 and 76 days of normal cash expenditures, which is calculated as total expenses less depreciation. In addition, the Church has a goal to maintain cash in the operating account that is 10% of the annual budget. Funds can be made available for general expenditure from the capital reserve account if the Committee approves the action. As more fully described in Note 4, the Church also has a line of credit in the amount of \$3,000,000, which it could draw on in the event of an unanticipated liquidity need.

12) RELATED PARTY TRANSACTIONS

The Church donates to a nonprofit organization that was managed by a relative of a trustee of the Church. The Church donated \$864,000 and \$864,750 to this organization during the years ended September 30, 2023 and 2022, respectively.

13) REVENUE RECOGNITION

The Church has adopted the provisions of the *Revenue from Contracts with Customers* topic of FASB ASC. This guidance replaces most existing revenue recognition in U. S. GAAP and requires expanded disclosure relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The core principle is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by applying five steps listed in the guidance. The adoption of this standard did not have a material impact on the financial statements.

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13) REVENUE RECOGNITION, Continued

The Church recognizes revenue through both unconditional and conditional contributions. Unconditional contributions are recognized when received, while a conditional contribution is recognized upon satisfaction of the donor's condition or when the funds have been expended in accordance with the provisions of the respective agreements. Management has determined that contributions are non-reciprocal transactions and therefore fall under the scope of the *Contributions Received* topic of ASC.

The Church's other revenue streams include interest income and other income which are not included within the scope of this ASC.

14) SUBSEQUENT EVENTS

In preparing these financial statements, the Church has evaluated events and transactions for potential recognition or disclosure through December 22, 2023, the date the financial statements were available to be issued. There were no such events requiring recording or disclosure for the year ended September 30, 2023.