

TRANSFORMATION CHURCH, INC.
FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2019 AND 2018
AND
ACCOUNTANT'S COMPILATION REPORT

FRANKLIN & FRANKLIN, PA
CERTIFIED PUBLIC ACCOUNTANTS

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TRANSFORMATION CHURCH, INC.
SIX MONTHS ENDED JUNE 30, 2019 AND 2018

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FRANKLIN & FRANKLIN, PA

CERTIFIED PUBLIC ACCOUNTANTS

Transformation Church, Inc.
Indian Land, South Carolina

Management is responsible for the accompanying financial statements of Transformation Church, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the periods then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. 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 completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Franklin & Franklin, PA

Matthews, North Carolina

August 13, 2019

TRANSFORMATION CHURCH, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents - Without Donor Restrictions	\$ 1,029,580	\$ 743,494
Cash and Cash Equivalents - With Donor Restrictions	2,122	12,847
Investments (at Fair Market Value)	32,659	9,519
	<u>1,064,361</u>	<u>765,860</u>
OTHER CURRENT ASSETS		
Inventory	5,114	25,443
Accounts Receivable	-	5,741
Prepaid Expenses	45,477	75,646
	<u>50,591</u>	<u>106,830</u>
TOTAL CURRENT ASSETS	1,114,952	872,690
PROPERTY		
Furniture	93,328	80,788
Computers and Equipment	1,394,685	1,051,597
Leasehold Improvements	235,860	235,860
Land and Building	8,661,846	8,661,846
	<u>10,385,719</u>	<u>10,030,091</u>
Less Accumulated Depreciation	<u>(1,653,101)</u>	<u>(1,318,000)</u>
PROPERTY, NET	8,732,618	8,712,091
OTHER ASSETS		
Security Deposit	1,458	1,458
Construction in Process	142,254	-
Intangible Assets	40,271	40,271
Less Accumulated Amortization	<u>(11,654)</u>	<u>(8,077)</u>
	<u>172,329</u>	<u>33,652</u>
TOTAL ASSETS	<u>\$ 10,019,899</u>	<u>\$ 9,618,433</u>
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable and Credit Card Payable	\$ 71,987	\$ 104,838
Payroll Liabilities	20,091	24,045
Current Portion, Long-Term Debt	125,338	118,389
TOTAL CURRENT LIABILITIES	<u>217,416</u>	<u>247,272</u>
LONG TERM LIABILITIES		
Long-Term Debt	<u>4,382,615</u>	<u>4,550,283</u>
TOTAL LIABILITIES	4,600,031	4,797,555
NET ASSETS		
Net Assets without Donor Restrictions	5,417,746	4,808,031
Net Assets with Donor Restrictions	2,122	12,847
TOTAL NET ASSETS	<u>5,419,868</u>	<u>4,820,878</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,019,899</u>	<u>\$ 9,618,433</u>

TRANSFORMATION CHURCH, INC.
 STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
 FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019	June 30, 2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUE AND SUPPORT		
Offerings/Tithes	\$ 2,633,841	\$ 2,709,111
Ministry Income	77,422	73,349
Apparel and Book Income	2,025	5,276
Investment Income	7,096	2,103
Proceeds from Sale of Assets	-	9,300
Other Income	18,819	11,548
TOTAL REVENUES AND OTHER INCOME WITHOUT DONOR RESTRICTIONS	2,739,203	2,810,687
 NET ASSETS RELEASED FROM RESTRICTIONS:		
Restriction Satisfied by Teen Camp Receipts	33,399	-
Restriction Satisfied by Prison Ministry Receipts	-	14,140
Restriction Satisfied by Backpack Receipts	7,792	5,734
Restriction Satisfied by Roll Out Hope Receipts	-	340
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	41,191	20,214
 TOTAL REVENUE, OTHER INCOME AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS	 2,780,394	 2,830,901
 EXPENSES		
Program Expenses	1,780,297	1,501,771
Management and General Expenses	887,883	910,641
Fundraising Expenses	31,193	28,992
TOTAL EXPENSE	2,699,373	2,441,404
 INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 81,021	 389,497
 CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions:		
Teen Camps	33,399	-
Back to School	-	14,140
Backpacks	1,685	3,430
Net Assets Released from Restrictions	(41,191)	(20,214)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	(6,107)	(2,644)
 CHANGE IN NET ASSETS	 74,914	 386,853
 NET ASSETS, BEGINNING OF YEAR	 5,344,954	 4,434,025
 NET ASSETS, END OF PERIOD	 \$ 5,419,868	 \$ 4,820,878

TRANSFORMATION CHURCH INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE SIX MONTHS ENDED JUNE 30, 2019

	Program Expenses				Supporting Expenses			Total Expenses
	Church	Care	Outreach	Total Program	Management and General	Fundraising	Total	
EXPENSES								
Direct Expenses	\$ 98,027	\$ 79	\$ 98	\$ 98,204	\$ -	\$ -	\$ -	\$ 98,204
Salaries and Wages	580,648	-	-	580,648	506,686	18,242	-	1,105,576
Payroll Benefits	130,843	-	-	130,843	114,176	4,112	-	249,131
Occupancy	4,020	-	-	4,020	3,508	126	-	7,654
Professional Fees	99,804	(306)	38	99,536	27,528	159	-	127,223
Advertising and Promotion	-	-	-	-	-	2,097	-	2,097
Conferences, Conventions, and Meetings	1,111	-	-	1,111	124	-	-	1,235
Administration, Copying and Printing	26,038	817	450	27,305	2,893	-	-	30,198
Credit Card and Other Service Charges	-	-	-	-	865	-	-	865
Depreciation	95,369	-	-	95,369	83,221	2,996	-	181,586
Equipment Rental	14,358	-	871	15,229	-	-	-	15,229
Facilities	73,651	-	48	73,699	6,188	22	-	79,909
Insurance	7,110	-	-	7,110	6,204	224	-	13,538
Interest Expense	51,178	-	-	51,178	44,659	1,608	-	97,445
Meals and Entertainment	7,262	1,191	966	9,419	5,072	-	-	14,491
Benevolence	-	64,415	994	65,409	-	-	-	65,409
Generosity	107,250	-	137,650	244,900	-	-	-	244,900
Supplies and Other Expenses	9,727	-	110	9,837	2,537	-	-	12,374
Office Supplies	34,272	1,124	41,245	76,641	8,568	-	-	85,209
Other Expenses	98,367	9,482	3,510	111,359	30,797	163	-	142,319
Postage and Delivery	1,783	41	-	1,824	95	-	-	1,919
Repairs and Maintenance	21,897	-	-	21,897	19,142	690	-	41,729
Mileage	77	-	-	77	33	-	-	110
Telecommunication	2,932	-	-	2,932	1,257	-	-	4,189
Telephone	7,906	-	-	7,906	3,388	-	-	11,294
Travel Expenses	19,329	518	-	19,847	-	-	-	19,847
Utilities	23,997	-	-	23,997	20,942	754	-	45,693
TOTAL EXPENSES	\$ 1,516,956	\$ 77,361	\$ 185,980	\$ 1,780,297	\$ 887,883	\$ 31,193	\$ -	\$ 2,699,373

TRANSFORMATION CHURCH INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE SIX MONTHS ENDED JUNE 30, 2018

	Program Expenses				Supporting Expenses		Total Expenses
	Church	Care	Outreach	Program	Management and General	Fundraising	
EXPENSES							
Direct Expenses	\$ 43,500	\$ 2,045	\$ 97	\$ 45,642	\$ -	\$ -	\$ 45,642
Salaries and Wages	582,863	-	-	582,863	519,645	18,383	1,120,890
Payroll Benefits	117,159	-	-	117,159	104,452	3,695	225,306
Occupancy	1,839	6	-	1,845	1,645	58	3,548
Professional Fees	110,114	909	40	111,063	51,791	163	163,017
Advertising and Promotion	-	-	-	-	-	427	427
Conferences, Conventions, and Meetings	653	-	-	653	73	-	726
Administration, Copying and Printing	22,556	724	137	23,417	2,506	-	25,923
Credit Card and Other Service Charges	-	-	-	-	1,131	-	1,131
Depreciation	79,998	-	-	79,998	71,322	2,523	153,843
Equipment Rental	8,600	1,251	-	9,851	-	-	9,851
Facilities	43,049	210	155	43,414	8,219	291	51,924
Insurance	5,208	-	-	5,208	4,643	164	10,015
Interest Expense	52,338	-	-	52,338	46,661	1,651	100,650
Meals and Entertainment	11,257	809	780	12,846	6,917	-	19,763
Benevolence	-	71,285	-	71,285	-	-	71,285
Generosity	90,102	440	38,092	128,634	-	-	128,634
Supplies and Other Expenses	5,833	-	20	5,853	4,727	156	10,736
Office Supplies	17,575	2,661	6,045	26,281	4,394	-	30,675
Other Expenses	86,225	21,194	3,309	110,728	40,503	182	151,413
Postage and Delivery	1,756	505	10	2,271	92	-	2,363
Repairs and Maintenance	18,172	-	-	18,172	17,100	605	35,877
Mileage	926	30	52	1,008	-	-	1,008
Telecommunication	3,109	-	-	3,109	1,332	-	4,441
Telephone	8,950	-	-	8,950	3,836	-	12,786
Travel Expenses	11,717	430	4,993	17,140	-	-	17,140
Utilities	22,043	-	-	22,043	19,653	694	42,390
TOTAL EXPENSES	\$ 1,345,542	\$ 102,499	\$ 53,730	\$ 1,501,771	\$ 910,641	\$ 28,992	\$ 2,441,404

TRANSFORMATION CHURCH INC.
STATEMENTS OF FUNCTIONAL EXPENSES - PROGRAM EXPENSES
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019				June 30, 2018			
	Church	Care	Outreach	Total Program	Church	Care	Outreach	Total Program
EXPENSES								
Direct Expenses	\$ 98,027	\$ 79	\$ 98	\$ 98,204	\$ 43,500	\$ 2,045	\$ 97	\$ 45,642
Salaries and Wages	580,648	-	-	580,648	582,863	-	-	582,863
Payroll Benefits	130,843	-	-	130,843	117,159	-	-	117,159
Occupancy	4,020	-	-	4,020	1,839	6	-	1,845
Professional Fees	99,804	(306)	38	99,536	110,114	909	40	111,063
Advertising and Promotion	-	-	-	-	-	-	-	-
Conferences, Conventions, and Meetings	1,111	-	-	1,111	653	-	-	653
Administration, Copying and Printing	26,038	817	450	27,305	22,556	724	137	23,417
Credit Card and Other Service Charges	-	-	-	-	-	-	-	-
Depreciation	95,369	-	-	95,369	79,998	-	-	79,998
Equipment Rental	14,358	-	871	15,229	8,600	1,251	-	9,851
Facilities	73,651	-	48	73,699	43,049	210	155	43,414
Insurance	7,110	-	-	7,110	5,208	-	-	5,208
Interest Expense	51,178	-	-	51,178	52,338	-	-	52,338
Meals and Entertainment	7,262	1,191	966	9,419	11,257	809	780	12,846
Benevolence	-	64,415	994	65,409	-	71,285	-	71,285
Generosity	107,250	-	137,650	244,900	90,102	440	38,092	128,634
Supplies and Other Expenses	9,727	-	110	9,837	5,833	-	20	5,853
Office Supplies	34,272	1,124	41,245	76,641	17,575	2,661	6,045	26,281
Other Expenses	98,367	9,482	3,510	111,359	86,225	21,194	3,309	110,728
Postage and Delivery	1,783	41	-	1,824	1,756	505	10	2,271
Repairs and Maintenance	21,897	-	-	21,897	18,172	-	-	18,172
Mileage	77	-	-	77	926	30	52	1,008
Telecommunication	2,932	-	-	2,932	3,109	-	-	3,109
Telephone	7,906	-	-	7,906	8,950	-	-	8,950
Travel Expenses	19,329	518	-	19,847	11,717	430	4,993	17,140
Utilities	23,997	-	-	23,997	22,043	-	-	22,043
TOTAL EXPENSES	\$ 1,516,956	\$ 77,361	\$ 185,980	\$ 1,780,297	\$ 1,345,542	\$ 102,499	\$ 53,730	\$ 1,501,771

TRANSFORMATION CHURCH INC.

STATEMENTS OF FUNCTIONAL EXPENSES - SUPPORTING SERVICES
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019		June 30, 2018	
	Supporting Expenses		Supporting Expenses	
	Management and General	Fundraising	Management and General	Fundraising
EXPENSES				
Direct Expenses	\$ -	\$ -	\$ -	\$ -
Salaries and Wages	506,686	18,242	519,645	18,383
Payroll Benefits	114,176	4,112	104,452	3,695
Occupancy	3,508	126	1,645	58
Professional Fees	27,528	159	51,791	163
Advertising and Promotion	-	2,097	-	427
Conferences, Conventions, and Meetings	124	-	73	-
Administration, Copying and Printing	2,893	-	2,506	-
Credit Card and Other Service Charges	865	-	1,131	-
Depreciation	83,221	2,996	71,322	2,523
Equipment Rental	-	-	-	-
Facilities	6,188	22	8,219	291
Insurance	6,204	224	4,643	164
Interest Expense	44,659	1,608	46,661	1,651
Meals and Entertainment	5,072	-	6,917	-
Benevolence	-	-	-	-
Generosity	-	-	-	-
Supplies and Other Expenses	2,537	-	4,727	156
Office Supplies	8,568	-	4,394	-
Other Expenses	30,797	163	40,503	182
Postage and Delivery	95	-	92	-
Repairs and Maintenance	19,142	690	17,100	605
Mileage	33	-	-	-
Telecommunication	1,257	-	1,332	-
Telephone	3,388	-	3,836	-
Travel Expenses	-	-	-	-
Utilities	20,942	754	19,653	694
TOTAL EXPENSES	\$ 887,883	\$ 31,193	\$ 910,641	\$ 28,992

See accompanying notes and independent auditor's report.

TRANSFORMATION CHURCH, INC.

STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 74,914	\$ 386,853
Adjustments to Reconcile to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	181,586	153,843
Gain on Sale of Assets	-	(9,300)
Investments	(6,939)	(5,261)
Inventory	19,679	4,332
Accounts Receivable	341	2,663
Prepaid Expense	(12,880)	(35,549)
Accounts Payable and Credit Card Payable	(95,737)	21,280
Promise to Give	-	(30,000)
Unearned Revenue	(100)	(2,200)
Payroll Liabilities	(43,194)	(49,121)
Net Cash Provided by Operating Activities	117,670	437,540
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property	(216,533)	(320,740)
Proceeds from Sale of Fixed Assets	-	9,300
Net Cash Used by Investing Activities	(216,533)	(311,440)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of Loan	(89,530)	(71,325)
Net Cash Provided (Used) by Financing Activities	(89,530)	(71,325)
Net Change in Cash and Equivalents	(188,393)	54,775
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
	<u>1,220,095</u>	<u>701,566</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		
	<u>\$ 1,031,702</u>	<u>\$ 756,341</u>
CASH AND CASH EQUIVALENTS:		
Cash and Cash Equivalents - Without Donor Restrictions	\$ 1,029,580	\$ 743,494
Cash and Cash Equivalents - With Donor Restrictions	2,122	12,847
CASH AND CASH EQUIVALENTS AT END OF YEAR		
	<u>\$ 1,031,702</u>	<u>\$ 756,341</u>

Interest Expense was \$97,445 and \$100,650 as of June 30, 2019 and 2018.

TRANSFORMATION CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS SIX MONTHS ENDED JUNE 30, 2019 AND 2018

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Transformation Church, Inc. (the “Church”) was incorporated as a non-profit organization in South Carolina in April, 2010. The Church is a multi-ethnic, multi-generational, mission-shaped community that loves God completely (Upward), ourselves correctly (Inward) and our neighbors compassionately (Outward).

Basis of Financial Statement Preparation

The financial statements of the Church have been prepared using the accrual basis of accounting.

Cash and Cash Equivalents

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

Accounts and Other Receivables

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts if necessary. At June 30, 2019 and 2018, the Church had receivables of \$-0- and \$5,741, respectively.

Inventory

The church has an inventory of books and apparel which are recorded as the lower of cost or market. As of June 30, 2019 and 2018, the inventory was \$5,114 and \$25,443, respectively.

Property

Property is stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Property acquisitions are capitalized if they are in excess of \$1,000. Depreciation, including depreciation of assets under capital leases, is provided over the estimated useful lives of the respective assets on a straight-line basis. The cost of property sold or retired and the related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in revenue or expense.

Donated Services

Donated services are provided by volunteers but not reflected herein inasmuch as the amount of the services is indeterminable.

Vacation Payroll Accrual

Due to the calculations involved to calculate the accrued vacation liability as of June 30, 2019 and 2018, the amount has not been calculated nor accrued in the financial statements.

TRANSFORMATION CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS SIX MONTHS ENDED JUNE 30, 2019 AND 2018

Income Taxes

The Church has received a determination letter from the Internal Revenue Service stating that the Church is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Estimates

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

New Accounting Pronouncement

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities. The church has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative year presented. The new standards change the following aspects of the church's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class had been renamed net assets without donor restrictions.

The changes have the following effect on net assets at June 30, 2018:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14 and Net Asset Restatement</u>
Unrestricted Net Assets	\$4,767,287	\$ -0-
Temporarily Restricted Net Assets	12,847	-0-
Net Assets without Donor Restrictions	-0-	4,408,031
Net Assets with Donor Restrictions	<u>-0-</u>	<u>12,847</u>
Total Net Assets	<u>\$4,780,134</u>	<u>\$4,820,878</u>

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

In addition, net assets were restated as of June 30, 2018. This adjustment was for deposits in transit at the beginning and ending of the six-month period. The total adjustment was \$40,744.

The Church receives revenue primarily from contributions. The Church records gifts as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 activities as net assets released from restrictions. At June 30, 2019 and 2018, net assets with donor restrictions were \$2,122 and \$12,847, respectively.

TRANSFORMATION CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS SIX MONTHS ENDED JUNE 30, 2019 AND 2018

Net Assets with Donor Restrictions:	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Backpacks	\$ 2,122	\$ 10,679
Roll Out Hope	<u>-0-</u>	<u>2,168</u>
	<u>\$ 2,122</u>	<u>\$ 12,847</u>

Cost Allocation

Certain categories of expenses are attributable to program, supporting function and fundraising and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits; which are allocated on the basis of estimates of time and effort; and direct expense, occupancy, professional and contract services, advertising and promotions, conferences, conventions and meetings, administrative, copying and printing, credit card and other services charges, depreciation, facilities, insurance, interest expense, meals and entertainment, supplies and other expenses, supplies – general, other expense, postage and delivery, repair and maintenance, telecommunications, telephone, and utilities which are allocated based on estimates made by management.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2018</u>
Financial assets, at period end	\$1,064,361	\$771,601
Less those unavailable for general expenditures within one year, due to: Subject to appropriation and satisfaction of donor restrictions	<u>(2,122)</u>	<u>(12,847)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,062,239</u>	<u>\$758,754</u>

The Church has \$1,062,239 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash and investments of \$1,064,361 and account receivable of \$-0-.

3. PROPERTY

The Church records property at cost and provides for depreciation using the straight-line method over the estimated useful life of the asset (furniture and fixtures and office equipment; five—ten years). Maintenance and repairs are expensed as paid; major renewals or betterments over \$1,000 are capitalized. Depreciation expense for the six months ended June 30, 2019 and 2018 was \$181,586 and \$153,843, respectively.

4. OPERATING LEASES

The Church has multiple operating leases, primarily for various forms of equipment that expire on various dates as well as office and church buildings. Those leases generally contain renewal options and require the Church to pay all executor costs such as taxes, maintenance and insurance. Lease expense was \$6,786 and \$6,786 for the six months ended June 30, 2019 and 2018, respectively, and is included in building operations expense and equipment lease expense.

TRANSFORMATION CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS SIX MONTHS ENDED JUNE 30, 2019 AND 2018

Minimum lease payments under operating leases as of June 30, 2019, are as follows:

Period Ending June 30:	
2020	\$ 7,011
2021	1,953
2022	-0-
2023	-0-
2024	-0-

5. CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Church to concentrations of credit risk, consist principally of cash, cash equivalents and member receivables. The Church maintains its cash and cash equivalents with a federally insured financial institution located in South Carolina. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2019 and 2018, the Church had funds above the federally insured limit in the amount of \$558,709 and \$346,601 respectively. Management believes that these financial institutions have strong credit ratings and that credit risk related to these deposits is minimal.

6. PENSION AND HEALTH SAVING ACCOUNTS

As an employee benefit, the Church contributes funds to both an employees' health saving account and to their retirement plan. The Church contributed \$47,336 and \$46,198 to employees' HSA accounts during June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, the church has contributed \$39,892 and \$41,623 respectively, to employee's retirement plans.

7. LONG-TERM DEBT

As of June 19, 2017, the Church refinanced their two construction loans and obtained one new loan in the amount of \$4,800,000. The initial interest rate of this loan is 4.25% for the first 60 months. As of June 19, 2022, the interest rate shall be adjusted to a rate equal to 2.26% greater than the Interest Rate Swap Rate. The loan commenced on August 1, 2017 with 300 payments of \$26,162 each month. The "Maturity Date" on the loan is June 19, 2027 at which time any unpaid principal and accrued but unpaid interest shall be immediately due and payable. This promissory note is secured by the property and a \$100,000 cash reserve at First Bank. At June 30, 2019 and 2018, the loan balances were \$4,507,953 and \$4,668,672, respectively

A summary of principal payments on debt for future years is as follows:

Period Ending June 30:	
2020	\$ 125,338
2021	130,204
2022	135,846
2023	141,734
2024	147,876
2025 and thereafter	<u>3,826,955</u>
	<u>\$4,507,953</u>

TRANSFORMATION CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS SIX MONTHS ENDED JUNE 30, 2019 AND 2018

8. INVESTMENTS

The Church has several investment accounts used to receive stock from contributors. The process is to immediately convert the stock to cash and issue a check to the Church for the donation. At times the investment companies do not immediately convert the stocks to cash which has left amounts at year end in these brokerage accounts. As of June 30, 2019 and 2018, the Church has recorded \$6,939 and \$1,983 in investment income on stock, respectively. The Church has recorded interest on bank accounts of \$157 and \$120, respectively, as of June 30, 2019 and 2018.

9. RELATED PARTY TRANSACTIONS

The Church had no related party transactions during the six month period ending June 30, 2019 and 2018.

10. SUBSEQUENT EVENTS ANALYSIS

Management has evaluated subsequent events through August 13, 2019, the date on which the financial statements were available to be issued. During this period, there were no material recognizable subsequent events identified.