

TRANSFORMATION CHURCH, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
AND
INDEPENDENT AUDITOR'S REPORT

FRANKLIN & FRANKLIN, PA
CERTIFIED PUBLIC ACCOUNTANTS

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TRANSFORMATION CHURCH, INC.
YEARS ENDED DECEMBER 31, 2019 AND 2018

TABLE OF CONTENTS

Independent Auditor's Report.....	1
Financial statements:	
Statements of Financial Position.....	2
Statements of Activities and Changes in Net Assets.....	3
Statements of Functional Expenses.....	4-7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9-12

FRANKLIN & FRANKLIN, PA

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Transformation Church, Inc.
Indian Land, South Carolina

We have audited the accompanying financial statements of Transformation Church, Inc., (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes of net assets, functional expenses and cash flows for the years 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 the accounting principles generally accepted in the United States of America as described in Note 1; 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

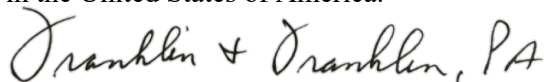
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 Transformation Church, Inc. as of December 31, 2019 and 2018, and the changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Franklin & Franklin, PA

Matthews, North Carolina
March 19, 2020

TRANSFORMATION CHURCH, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents - Without Donor Restrictions	\$ 1,487,299	\$ 1,211,866
Cash and Cash Equivalents - With Donor Restrictions	-	8,229
Investments (at Fair Market Value)	34,298	25,720
	<u>1,521,597</u>	<u>1,245,815</u>
OTHER CURRENT ASSETS		
Inventory	11,516	24,793
Accounts Receivable	1,168	341
Prepaid Expenses	51,979	32,597
	<u>64,663</u>	<u>57,731</u>
TOTAL CURRENT ASSETS	1,586,260	1,303,546
PROPERTY		
Furniture	87,486	80,788
Computer and Equipment	1,647,298	1,298,781
Leasehold Improvements	235,860	235,860
Land and Building	8,804,738	8,661,846
	<u>10,775,382</u>	<u>10,277,275</u>
Less Accumulated Depreciation	(1,803,159)	(1,473,303)
PROPERTY, NET	8,972,223	8,803,972
OTHER ASSETS		
Intangibles, Net of Accumulated Amortization of \$13,443 and \$9,866 as of December 31, 2019 and 2018	26,828	30,405
Construction in Progress	80,858	34,165
Security Deposit	-	1,458
	<u>107,686</u>	<u>66,028</u>
TOTAL ASSETS	<u>\$ 10,666,169</u>	<u>\$ 10,173,546</u>
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable and Credit Card Payable	\$ 133,058	\$ 155,933
Payroll Liabilities	52,734	63,285
Unearned Revenue	-	100
Current Portion, Long-Term Debt	189,795	120,381
TOTAL CURRENT LIABILITIES	<u>375,587</u>	<u>339,699</u>
LONG TERM LIABILITIES		
Capital Lease	120,292	-
Note Payable	4,305,019	4,488,893
TOTAL LONG TERM LIABILITIES	<u>4,425,311</u>	<u>4,488,893</u>
TOTAL LIABILITIES	4,800,898	4,828,592
NET ASSETS		
Net Assets without Donor Restrictions	5,865,271	5,336,725
Net Assets with Donor Restrictions	-	8,229
TOTAL NET ASSETS	<u>5,865,271</u>	<u>5,344,954</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,666,169</u>	<u>\$ 10,173,546</u>

TRANSFORMATION CHURCH, INC.
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUE AND SUPPORT		
Offerings/Tithes	\$ 5,718,901	\$ 5,924,423
Investment Income	8,893	4,193
Other Income	33,076	37,079
TOTAL REVENUES AND OTHER INCOME WITHOUT DONOR RESTRICTIONS	5,760,870	5,965,695
Net Assets Released from Restrictions	91,111	31,258
TOTAL REVENUE, OTHER INCOME AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS	5,851,981	5,996,953
EXPENSES		
Program Expenses	3,235,311	3,110,078
Management and General Expenses	1,969,556	1,860,853
Fundraising Expenses	118,568	107,831
TOTAL EXPENSE	5,323,435	5,078,762
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	528,546	918,191
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	82,882	23,996
Net Assets Released from Restrictions	(91,111)	(31,258)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	(8,229)	(7,262)
CHANGES IN NET ASSETS	520,317	910,929
NET ASSETS, BEGINNING OF YEAR	5,344,954	4,434,025
NET ASSETS, END OF YEAR	\$ 5,865,271	\$ 5,344,954

TRANSFORMATION CHURCH, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Expenses			Supporting Expenses			
	Church	Care	Outreach	Total Program	Management and General	Fundraising	Total Expenses
EXPENSES							
Direct Expenses	\$ 118,549	\$ 229	\$ 218	\$ 118,996	\$ -	\$ -	\$ 118,996
Salary and Wages	1,187,605	-	-	1,187,605	1,144,691	38,646	2,370,942
Payroll Benefits	260,305	-	-	260,305	250,899	8,471	519,675
Occupancy	6,821	-	-	6,821	6,575	222	13,618
Professional and Contract Services	228,867	(156)	42	228,753	71,558	292	300,603
Advertising and Promotion	-	-	-	-	-	2,102	2,102
Conferences, Conventions, and Meetings	7,298	-	-	7,298	811	-	8,109
Administration, Copying and Printing	43,871	1,219	710	45,800	4,875	-	50,675
Credit Card and Other Service Charges	-	-	-	-	1,809	-	1,809
Depreciation and Amortization	133,542	-	-	133,542	182,027	61,455	377,024
Equipment Rental	28,518	-	3,555	32,073	-	-	32,073
Facilities	129,045	-	334	129,379	20,844	753	150,976
Insurance	12,010	-	-	12,010	11,576	391	23,977
Interest Expense	98,131	-	-	98,131	94,585	3,193	195,909
Meals and Entertainment	16,790	2,456	1,791	21,037	11,327	-	32,364
Benevolence	164	108,144	994	109,302	-	-	109,302
Generosity	198,449	275	167,650	366,374	-	-	366,374
Supplies and Other Expenses	21,279	-	110	21,389	4,616	-	26,005
Supplies General	62,482	1,415	76,280	140,177	15,621	-	155,798
Other Expenses	147,069	12,023	11,224	170,316	58,279	340	228,935
Postage and Delivery	3,481	53	2	3,536	183	-	3,719
Repairs and Maintenance	35,095	-	-	35,095	34,638	1,169	70,902
Mileage	842	-	-	842	-	-	842
Telecommunication	4,959	-	-	4,959	2,125	-	7,084
Telephone	16,493	-	-	16,493	7,068	-	23,561
Travel Expenses	37,307	518	100	37,925	-	-	37,925
Utilities	47,153	-	-	47,153	45,449	1,534	94,136
TOTAL EXPENSES	<u>\$ 2,846,125</u>	<u>\$ 126,176</u>	<u>\$ 263,010</u>	<u>\$ 3,235,311</u>	<u>\$ 1,969,556</u>	<u>\$ 118,568</u>	<u>\$ 5,323,435</u>

TRANSFORMATION CHURCH, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Expenses			Supporting Expenses			Total Expenses
	Church	Care	Outreach	Total Program	Management and General	Fundraising	
EXPENSES							
Direct Expenses	\$ 111,578	\$ 3,526	\$ 1,121	\$ 116,225	\$ -	\$ -	\$ 116,225
Salary and Wages	1,227,784	-	-	1,227,784	1,090,342	39,370	2,357,496
Payroll Benefits	235,752	-	-	235,752	209,361	7,560	452,673
Occupancy	4,570	6	-	4,576	4,064	146	8,786
Professional and Contract Services	187,039	925	3,542	191,506	114,398	337	306,241
Advertising and Promotion	-	-	-	-	-	1,188	1,188
Conferences, Conventions, and Meetings	3,608	-	-	3,608	401	-	4,009
Administration, Copying and Printing	46,575	1,402	552	48,529	5,175	-	53,704
Credit Card and Other Service Charges	-	-	-	-	1,987	-	1,987
Depreciation and Amortization	115,201	-	-	115,201	143,807	51,927	310,935
Equipment Rental	15,502	1,251	6,230	22,983	-	-	22,983
Facilities	83,168	210	1,401	84,779	13,769	497	99,045
Insurance	10,819	-	-	10,819	9,608	347	20,774
Interest Expense	104,907	-	-	104,907	93,163	3,364	201,434
Meals and Entertainment	17,761	1,283	1,827	20,871	11,238	-	32,109
Benevolence	22	155,111	-	155,133	-	-	155,133
Generosity	194,230	440	119,074	313,744	-	-	313,744
Supplies and Other Expenses	19,430	-	20	19,450	9,987	27	29,464
Supplies General	31,207	4,048	69,773	105,028	7,802	-	112,830
Other Expenses	144,962	24,245	11,966	181,173	58,978	336	240,487
Postage and Delivery	3,968	589	11	4,568	209	-	4,777
Repairs and Maintenance	40,103	-	-	40,103	38,411	1,387	79,901
Mileage	3,068	30	52	3,150	-	-	3,150
Telecommunication	5,427	-	-	5,427	2,326	-	7,753
Telephone	20,047	-	-	20,047	8,591	-	28,638
Travel Expenses	24,461	430	7,894	32,785	-	-	32,785
Utilities	41,930	-	-	41,930	37,236	1,345	80,511
TOTAL EXPENSES	<u>\$ 2,693,119</u>	<u>\$ 193,496</u>	<u>\$ 223,463</u>	<u>\$ 3,110,078</u>	<u>\$ 1,860,853</u>	<u>\$ 107,831</u>	<u>\$ 5,078,762</u>

See accompanying notes and independent auditor's report.

TRANSFORMATION CHURCH, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES - PROGRAM EXPENSES
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	December 31, 2019			December 31, 2018		
	Church	Care	Outreach	Church	Care	Outreach
			Total			Total
			Program			Program
EXPENSES						
Direct Expenses	\$ 118,549	\$ 229	\$ 218	\$ 111,578	\$ 3,526	\$ 1,121
Salary and Wages	1,187,605	-	-	1,227,784	-	-
Payroll Benefits	260,305	-	-	235,752	-	-
Occupancy	6,821	-	-	4,570	6	-
Professional and Contract Services	228,867	(156)	42	187,039	925	3,542
Advertising and Promotion	-	-	-	-	-	-
Conferences, Conventions, and Meetings	7,298	-	-	3,608	-	-
Administration, Copying and Printing	43,871	1,219	710	46,575	1,402	552
Credit Card and Other Service Charges	-	-	-	-	-	-
Depreciation and Amortization	133,542	-	-	115,201	-	-
Equipment Rental	28,518	-	3,555	15,502	1,251	6,230
Facilities	129,045	-	334	83,168	210	1,401
Insurance	12,010	-	-	10,819	-	-
Interest Expense	98,131	-	-	104,907	-	-
Meals and Entertainment	16,790	2,456	1,791	17,761	1,283	1,827
Benevolence	164	108,144	994	22	155,111	-
Generosity	198,449	275	167,650	194,230	440	119,074
Supplies and Other Expenses	21,279	-	110	19,430	-	20
Supplies General	62,482	1,415	76,280	31,207	4,048	69,773
Other Expenses	147,069	12,023	11,224	144,962	24,245	11,966
Postage and Delivery	3,481	53	2	3,968	589	11
Repairs and Maintenance	35,095	-	-	40,103	-	-
Mileage	842	-	-	3,068	30	52
Telecommunication	4,959	-	-	5,427	-	-
Telephone	16,493	-	-	20,047	-	-
Travel Expenses	37,307	518	100	24,461	430	7,894
Utilities	47,153	-	-	41,930	-	-
TOTAL EXPENSES	\$ 2,846,125	\$ 126,176	\$ 263,010	\$ 2,693,119	\$ 193,496	\$ 223,463
			\$ 3,235,311			\$ 3,110,078

TRANSFORMATION CHURCH, INC.

STATEMENTS OF FUNCTIONAL EXPENSES - SUPPORTING SERVICES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	December 31, 2019		December 31, 2018	
	Management and General	Fundraising	Management and General	Fundraising
EXPENSES				
Direct Expenses	\$ -	\$ -	\$ -	\$ -
Salary and Wages	1,144,691	38,646	1,090,342	39,370
Payroll Benefits	250,899	8,471	209,361	7,560
Occupancy	6,575	222	4,064	146
Professional and Contract Services	71,558	292	114,398	337
Advertising and Promotion	-	2,102	-	1,188
Conferences, Conventions, and Meetings	811	-	401	-
Administration, Copying and Printing	4,875	-	5,175	-
Credit Card and Other Service Charges	1,809	-	1,987	-
Depreciation and Amortization	182,027	61,455	143,807	51,927
Equipment Rental	-	-	-	-
Facilities	20,844	753	13,769	497
Insurance	11,576	391	9,608	347
Interest Expense	94,585	3,193	93,163	3,364
Meals and Entertainment	11,327	-	11,238	-
Benevolence	-	-	-	-
Generosity	-	-	-	-
Supplies and Other Expenses	4,616	-	9,987	27
Supplies General	15,621	-	7,802	-
Other Expenses	58,279	340	58,978	336
Postage and Delivery	183	-	209	-
Repairs and Maintenance	34,638	1,169	38,411	1,387
Mileage	-	-	-	-
Telecommunication	2,125	-	2,326	-
Telephone	7,068	-	8,591	-
Travel Expenses	-	-	-	-
Utilities	45,449	1,534	37,236	1,345
TOTAL EXPENSES	\$ 1,969,556	\$ 118,568	\$ 1,860,853	\$ 107,831

TRANSFORMATION CHURCH, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 520,317	\$ 910,929
Adjustments to Reconcile to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation and Amortization	377,024	310,935
Net Gain on Sale of Assets	-	(9,300)
Net Loss on Disposal of Assets	3,170	-
Change in:		
Investments	(8,578)	(21,462)
Inventory (books)	13,277	4,982
Accounts Receivable	(827)	2,607
Prepaid Expense	(19,382)	7,500
Security Deposit	1,458	-
Accounts Payable and Credit Card Payable	(22,875)	84,166
Promise to Give	-	(30,000)
Unearned Revenue	(100)	(2,100)
Payroll Liabilities	(10,551)	(4,425)
Net Cash Provided by Operating Activities	852,933	1,253,832
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale of Assets	-	9,300
Construction in Progress	(46,693)	(34,165)
Purchases of Property	(544,868)	(567,924)
Net Cash Used by Investing Activities	(591,561)	(592,789)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Loan	192,112	-
Payments of Loan	(186,280)	(142,514)
Net Cash Used by Financing Activities	5,832	(142,514)
Net Change in Cash and Equivalents	267,204	518,529
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>\$ 1,487,299</u>	<u>\$ 1,220,095</u>

Interest expense was \$195,909 and \$201,434 for the years ended December 31, 2019 and 2018.

TRANSFORMATION CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 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 December 31, 2019 and 2018, the Church had receivables of \$1,168 and \$341, respectively.

Inventory

The church has an inventory of books and apparel which are recorded as the lower of cost or market. As of December 31, 2019 and 2018, the inventory was \$11,516 and \$24,793, respectively.

Property and Equipment

Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Property and equipment 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 and equipment 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.

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.

TRANSFORMATION CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

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.

Revenue and Restricted Assets

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 December 31, 2019 and 2018, net assets with donor restrictions were \$-0- and \$8,229, respectively.

Net Assets with Donor Restrictions:	<u>2019</u>	<u>2018</u>
Backpacks	\$ -0-	\$ 8,229

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. Compensation and benefits are allocated based on estimates of time and effort, while all other expenses are allocated based on estimates made by management.

Reclassifications

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.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

	<u>2019</u>	<u>2018</u>
Financial assets, at year end	\$1,522,765	\$1,246,156
Less those unavailable for general expenditures within one year, due to:		
Subject to appropriation and satisfaction of donor restrictions	(-0-)	(8,229)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,522,765</u>	<u>\$1,237,927</u>

The Church has \$1,522,765 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 \$1,521,597, and account receivable of \$1,168.

3. PROPERTY AND EQUIPMENT

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).

TRANSFORMATION CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

Maintenance and repairs are expensed as paid; major renewals or betterments over \$1,000 are capitalized. Depreciation and amortization expense for the years ended December 31, 2019 and 2018 was \$377,024 and \$310,935, 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 \$10,656 and \$13,572 for the year ended December 31, 2019 and 2018, respectively, and is included in occupancy expense.

Minimum lease payments under operating leases as of December 31, 2019, are as follows:

Year Ending December 31:	
2020	\$ 3,867
2021	415
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 December 31, 2019 and 2018, the Church had funds above the federally insured limit in the amount of \$1,008,002 and \$695,048 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

The Church contributed \$94,743 and \$90,500 to employees' HSA accounts during December 31, 2019 and 2018, respectively. During the year ended December 31, 2016 the Church started contributing to retirement plans for its employees. As of December 31, 2019 and 2018 the church contributed \$78,429 and \$85,789, respectively, to employees' retirement plans.

7. LONG-TERM DEBT

As of June 19, 2017, the Church refinanced its 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. On 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 December 31, 2019 and 2018, the loan balances were \$4,433,038 and \$4,609,273 respectively.

TRANSFORMATION CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

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

Year Ending December 31:	
2020	\$ 128,019
2021	133,566
2022	139,355
2023	145,394
2024	151,695
2025 and thereafter	<u>3,735,009</u>
	<u>\$ 4,433,038</u>

8. INVESTMENTS

The Church has several investment accounts used to receive stock from contributors. As of December 31, 2019 and 2018, the Church has investment income of \$8,579 and \$3,913, and interest on bank accounts of \$314 and \$280, respectively.

9. CAPITAL LEASE

The Church entered into a long-term capital lease during the year ended December 31, 2019. The terms of the lease are 36 payments of \$5,693 beginning in November 2019. The lease was an interest free lease. The Church has used an imputed interest rate of 4.25%. The church has recorded both a fixed asset and a note payable of \$192,112. The balance of the note payable as of December 31, 2019 is \$182,068.

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

Year Ending December 31:	
2020	\$ 61,776
2021	64,453
2022	<u>55,839</u>
	<u>\$ 182,068</u>

10. COMMITMENTS

The Church is in the process of renovating their gathering space and offices. The Church has signed a contract in the amount of \$430,368 with Ecclesia Construction Company, LLC.

11. SUBSEQUENT EVENTS ANALYSIS

Management has evaluated subsequent events through March 19, 2020, the date on which the financial statements were available to be issued. During this period, there were no material recognizable subsequent events identified.