

TRANSFORMATION CHURCH, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
AND
INDEPENDENT AUDITOR'S REPORT

FRANKLIN & FRANKLIN, PA
CERTIFIED PUBLIC ACCOUNTANTS

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TRANSFORMATION CHURCH, INC.
YEARS ENDED DECEMBER 31, 2021 AND 2020

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FRANKLIN & FRANKLIN, PA

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of Transformation Church, Inc.

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Transformation Church, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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 Transformation Church, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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, including omissions, 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 Transformation Church, Inc.'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 Transformation Church, Inc.'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.

Franklin & Franklin, PA

Franklin & Franklin, PA
Matthews, North Carolina

March 8, 2022

TRANSFORMATION CHURCH, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - without donor restrictions	\$ 3,556,070	\$ 2,077,188
Cash and cash equivalents - with donor restrictions	-	22,568
Investments (at fair market value)	150,966	77,404
	3,707,036	2,177,160
OTHER CURRENT ASSETS		
Inventory	3,698	7,876
Accounts receivable	16	16
Prepaid expenses	62,279	55,552
	65,993	63,444
TOTAL CURRENT ASSETS	3,773,029	2,240,604
PROPERTY		
Furniture	85,112	85,112
Computer and equipment	1,820,983	2,060,475
Leasehold improvements	312,614	312,614
Land and building	9,333,714	9,333,714
	11,552,423	11,791,915
Less accumulated depreciation	(2,380,304)	(2,254,790)
PROPERTY, NET	9,172,119	9,537,125
OTHER ASSETS		
Intangibles, net of accumulated amortization of \$20,964 and \$17,020 as of December 31, 2021 and 2020	25,307	23,251
Construction in progress	50,000	-
Security deposits	400	-
	75,707	23,251
TOTAL ASSETS	\$ 13,020,855	\$ 11,800,980
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and credit card payable	\$ 83,210	\$ 48,153
Payroll liabilities	167,135	130,467
Unearned revenue	-	200
Current portion, long-term debt	200,360	189,795
TOTAL CURRENT LIABILITIES	450,705	368,615
LONG TERM LIABILITIES		
Capital lease	-	58,516
Note payable	3,907,717	4,118,978
TOTAL LONG TERM LIABILITIES	3,907,717	4,177,494
TOTAL LIABILITIES	4,358,422	4,546,109
NET ASSETS		
Net assets without donor restrictions	8,662,433	7,232,303
Net assets with donor restrictions	-	22,568
TOTAL NET ASSETS	8,662,433	7,254,871
TOTAL LIABILITIES AND NET ASSETS	\$ 13,020,855	\$ 11,800,980

TRANSFORMATION CHURCH, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE AND SUPPORT		
Offerings/tithes	\$ 7,177,080	\$ 6,787,660
Investment income	43,733	6,138
Ministry income	121,166	82,211
Other income	19,009	15,370
TOTAL REVENUES AND OTHER INCOME WITHOUT DONOR RESTRICTIONS	7,360,988	6,891,379
 Net assets released from restrictions	 131,904	 47,706
TOTAL REVENUE, OTHER INCOME AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS	7,492,892	6,939,085
 EXPENSES		
Program expenses	4,731,861	4,018,637
Management and general expenses	1,262,055	1,411,068
Fundraising expenses	68,846	142,348
TOTAL EXPENSE	6,062,762	5,572,053
 INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 1,430,130	 1,367,032
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	109,336	70,274
Net assets released from restrictions	(131,904)	(47,706)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	(22,568)	22,568
 CHANGES IN NET ASSETS	 1,407,562	 1,389,600
NET ASSETS, BEGINNING OF YEAR	7,254,871	5,865,271
NET ASSETS, END OF YEAR	\$ 8,662,433	\$ 7,254,871

TRANSFORMATION CHURCH, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Expenses			Total Program	Supporting Expenses		2021 Total Expenses
	Church	Care	Outreach		Management and General	Fundraising	
EXPENSES							
Direct expenses	\$ 7,418	\$ -	\$ -	\$ 7,418	\$ -	\$ -	\$ 7,418
Salary and wages	2,179,006	-	-	2,179,006	695,322	42,291	2,916,619
Payroll benefits	418,285	-	-	418,285	133,475	8,117	559,877
Occupancy	3,214	-	-	3,214	1,026	62	4,302
Professional and contract services	383,662	290	5,631	389,583	64,409	-	453,992
Advertising and promotion	-	-	-	-	-	4,571	4,571
Conferences, conventions, and meetings	8,692	388	-	9,080	1,009	-	10,089
Administration, copying and printing	11,363	700	-	12,063	1,263	-	13,326
Credit card and other service charges	-	-	-	-	1,304	-	1,304
Depreciation and amortization	388,346	-	-	388,346	123,921	7,537	519,804
Equipment rental	9,720	-	1,193	10,913	-	-	10,913
Facilities	87,604	-	674	88,278	9,261	563	98,102
Insurance	26,478	-	-	26,478	8,449	514	35,441
Interest expense	136,229	-	-	136,229	43,470	2,644	182,343
Meals and entertainment	21,626	1,546	1,186	24,358	13,116	-	37,474
Benevolence	-	68,226	-	68,226	-	-	68,226
Generosity	265,300	5,000	62,500	332,800	-	-	332,800
Supplies and other expenses	2,077	-	-	2,077	3,009	-	5,086
Supplies general	47,118	2,609	236,368	286,095	11,779	-	297,874
Other expenses	138,300	14,980	10,482	163,762	97,850	105	261,717
Postage and delivery	3,158	128	52	3,338	166	-	3,504
Repairs and maintenance	62,788	-	-	62,788	20,065	1,220	84,073
Mileage	92	-	-	92	-	-	92
Telecommunication	5,933	-	-	5,933	2,543	-	8,476
Telephone	24,605	-	-	24,605	10,545	-	35,150
Travel expenses	25,988	-	-	25,988	-	-	25,988
Utilities	62,906	-	-	62,906	20,073	1,222	84,201
TOTAL EXPENSES	\$ 4,319,908	\$ 93,867	\$ 318,086	\$ 4,731,861	\$ 1,262,055	\$ 68,846	\$ 6,062,762

TRANSFORMATION CHURCH, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Expenses			Total Program	Supporting Expenses		2020 Total Expenses
	Church	Care	Outreach		Management and General	Fundraising	
EXPENSES							
Direct expenses	\$ 5,932	\$ -	\$ -	\$ 5,932	\$ -	\$ -	\$ 5,932
Salary and wages	1,771,744	-	-	1,771,744	795,067	42,532	2,609,343
Payroll benefits	349,925	-	-	349,925	157,028	8,400	515,353
Occupancy	3,305	-	-	3,305	1,483	79	4,867
Professional and contract services	409,574	4	114	409,692	106,292	128	516,112
Advertising and promotion	-	-	-	-	-	10,117	10,117
Conferences, conventions, and meetings	11,851	-	49	11,900	1,322	-	13,222
Administration, copying and printing	10,655	262	49	10,966	1,184	-	12,150
Credit card and other service charges	-	-	-	-	1,800	-	1,800
Depreciation and amortization	243,045	-	-	243,045	139,124	74,425	456,594
Equipment rental	22,186	-	1,687	23,873	-	-	23,873
Facilities	37,472	-	-	37,472	9,991	361	47,824
Insurance	17,813	-	-	17,813	7,993	428	26,234
Interest expense	131,568	-	-	131,568	59,041	3,158	193,767
Meals and entertainment	13,864	2,584	1,094	17,542	9,446	-	26,988
Benevolence	-	67,697	-	67,697	-	-	67,697
Generosity	359,897	-	142,568	502,465	-	-	502,465
Supplies and other expenses	1,860	-	-	1,860	1,908	-	3,768
Supplies general	30,918	2,014	95,338	128,270	7,729	-	135,999
Other expenses	127,801	4,881	8,159	140,841	55,281	306	196,428
Postage and delivery	3,023	140	50	3,213	159	-	3,372
Repairs and maintenance	45,310	-	-	45,310	20,639	1,104	67,053
Mileage	683	-	-	683	-	-	683
Telecommunication	3,144	-	-	3,144	1,347	-	4,491
Telephone	22,722	-	-	22,722	9,738	-	32,460
Travel expenses	12,611	-	457	13,068	-	-	13,068
Utilities	54,587	-	-	54,587	24,496	1,310	80,393
TOTAL EXPENSES	\$ 3,691,490	\$ 77,582	\$ 249,565	\$ 4,018,637	\$ 1,411,068	\$ 142,348	\$ 5,572,053

TRANSFORMATION CHURCH, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES - PROGRAM EXPENSES
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	December 31, 2021				December 31, 2020			
	Program Expenses				Program Expenses			
	Church	Care	Outreach	Total Program	Church	Care	Outreach	Total Program
EXPENSES								
Direct expenses	\$ 7,418	\$ -	\$ -	\$ 7,418	\$ 5,932	\$ -	\$ -	\$ 5,932
Salary and wages	2,179,006	-	-	2,179,006	1,771,744	-	-	1,771,744
Payroll benefits	418,285	-	-	418,285	349,925	-	-	349,925
Occupancy	3,214	-	-	3,214	3,305	-	-	3,305
Professional and contract services	383,662	290	5,631	389,583	409,574	4	114	409,692
Advertising and promotion	-	-	-	-	-	-	-	-
Conferences, conventions, and meetings	8,692	388	-	9,080	11,851	-	49	11,900
Administration, copying and printing	11,363	700	-	12,063	10,655	262	49	10,966
Credit card and other service charges	-	-	-	-	-	-	-	-
Depreciation and amortization	388,346	-	-	388,346	243,045	-	-	243,045
Equipment rental	9,720	-	1,193	10,913	22,186	-	1,687	23,873
Facilities	87,604	-	674	88,278	37,472	-	-	37,472
Insurance	26,478	-	-	26,478	17,813	-	-	17,813
Interest expense	136,229	-	-	136,229	131,568	-	-	131,568
Meals and entertainment	21,626	1,546	1,186	24,358	13,864	2,584	1,094	17,542
Benevolence	-	68,226	-	68,226	-	67,697	-	67,697
Generosity	265,300	5,000	62,500	332,800	359,897	-	142,568	502,465
Supplies and other expenses	2,077	-	-	2,077	1,860	-	-	1,860
Supplies general	47,118	2,609	236,368	286,095	30,918	2,014	95,338	128,270
Other expenses	138,300	14,980	10,482	163,762	127,801	4,881	8,159	140,841
Postage and delivery	3,158	128	52	3,338	3,023	140	50	3,213
Repairs and maintenance	62,788	-	-	62,788	45,310	-	-	45,310
Mileage	92	-	-	92	683	-	-	683
Telecommunication	5,933	-	-	5,933	3,144	-	-	3,144
Telephone	24,605	-	-	24,605	22,722	-	-	22,722
Travel expenses	25,988	-	-	25,988	12,611	-	457	13,068
Utilities	62,906	-	-	62,906	54,587	-	-	54,587
TOTAL EXPENSES	\$ 4,319,908	\$ 93,867	\$ 318,086	\$ 4,731,861	\$ 3,691,490	\$ 77,582	\$ 249,565	\$ 4,018,637

TRANSFORMATION CHURCH, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES - SUPPORTING SERVICES
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	December 31, 2021		December 31, 2020	
	Supporting Expenses		Supporting Expenses	
	Management and General	Fundraising	Management and General	Fundraising
EXPENSES				
Direct expenses	\$ -	\$ -	\$ -	\$ -
Salary and wages	695,322	42,291	795,067	42,532
Payroll benefits	133,475	8,117	157,028	8,400
Occupancy	1,026	62	1,483	79
Professional and contract services	64,409	0	106,292	128
Advertising and promotion	-	4,571	-	10,117
Conferences, conventions, and meetings	1,009	-	1,322	-
Administration, copying and printing	1,263	-	1,184	-
Credit card and other service charges	1,304	-	1,800	-
Depreciation and amortization	123,921	7,537	139,124	74,425
Equipment rental	-	-	-	-
Facilities	9,261	563	9,991	361
Insurance	8,449	514	7,993	428
Interest expense	43,470	2,644	59,041	3,158
Meals and entertainment	13,116	-	9,446	-
Benevolence	-	-	-	-
Generosity	-	-	-	-
Supplies and other expenses	3,009	-	1,908	-
Supplies general	11,779	-	7,729	-
Other expenses	97,850	105	55,281	306
Postage and delivery	166	-	159	-
Repairs and maintenance	20,065	1,220	20,639	1,104
Mileage	-	-	-	-
Telecommunication	2,543	-	1,347	-
Telephone	10,545	-	9,738	-
Travel expenses	-	-	-	-
Utilities	20,073	1,222	24,496	1,310
TOTAL EXPENSES	<u>\$ 1,262,055</u>	<u>\$ 68,846</u>	<u>\$ 1,411,068</u>	<u>\$ 142,348</u>

TRANSFORMATION CHURCH, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,407,562	\$ 1,389,600
Adjustments to reconcile to net cash Provided (used) by operating activities:		
Depreciation and amortization	519,804	456,594
Net loss on disposal of assets	1,802	989
Change in:		
Investments	(73,562)	(43,106)
Inventory (books)	4,178	3,640
Accounts receivable	-	1,152
Prepaid expense	(6,727)	(3,573)
Security deposit	(400)	-
Accounts payable and credit card payable	35,057	(84,905)
Unearned revenue	(200)	200
Payroll liabilities	36,668	77,733
Net cash provided by operating activities	1,924,182	1,798,324
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction in progress	(50,000)	80,858
Purchases of property	(158,656)	(1,018,907)
Net cash (used) by investing activities	(208,656)	(938,049)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of loan	(259,212)	(247,818)
Net cash (used) by financing activities	(259,212)	(247,818)
Net change in cash and equivalents	1,456,314	612,457
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF YEAR	2,099,756	1,487,299
CASH AND CASH EQUIVALENTS		
AT END OF YEAR	<u>\$ 3,556,070</u>	<u>\$ 2,099,756</u>

Interest expense was \$182,343 and \$193,767 for the years ended December 31, 2021 and 2020.

TRANSFORMATION CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

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 receivables are stated at unpaid balances, less an allowance for doubtful accounts if necessary. At December 31, 2021 and 2020, the Church had receivables of \$16 and \$16, 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, 2021 and 2020, the inventory was \$3,698 and \$7,876, 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, 2021 AND 2020

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, 2021 and 2020, net assets with donor restrictions were \$-0- and \$22,568, respectively.

Net Assets with Donor Restrictions:	<u>2021</u>	<u>2020</u>
Roll Out Hope	\$-0-	\$22,568

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.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

	<u>2021</u>	<u>2020</u>
Financial assets, at year end	\$3,707,052	\$2,177,176
Less those unavailable for general expenditures within one year, due to: Subject to appropriation and satisfaction of donor restrictions	<u>(-0-)</u>	<u>(22,568)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$3,707,052</u>	<u>\$2,154,608</u>

The Church has \$3,707,052 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 \$3,707,036 and account receivable of \$16.

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). 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, 2021 and 2020 was \$519,804 and \$456,594, respectively.

TRANSFORMATION CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

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 \$3,800 and \$4,083 for the year ended December 31, 2021 and 2020, respectively, and is included in occupancy expense.

Minimum lease payments under operating leases as of December 31, 2021, are as follows:

Year Ending December 31:	
2022	\$ 3,468
2023	3,468
2024	3,468
2025	2,601
2026	-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, 2021 and 2020, the Church had funds above the federally insured limit in the amount of \$2,954,030 and \$1,564,227 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 \$93,923 and \$91,281 to employees' HSA accounts during December 31, 2021 and 2020, respectively. During the year ended December 31, 2016 the Church started contributing to retirement plans for its employees. As of December 31, 2021 and 2020 the church contributed \$92,100 and \$80,624, 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, 2021 and 2020, the loan balances were \$4,052,238 and \$4,246,997 respectively.

TRANSFORMATION CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Year Ending December 31:	
2022	\$ 144,521
2023	150,785
2024	157,319
2025	164,137
2026	171,251
2027 and thereafter	<u>3,264,225</u>
	<u>\$ 4,052,238</u>

8. INVESTMENTS

The Church has several investment accounts used to receive stock from contributors. As of December 31, 2021 and 2020, the Church has investment income of \$43,613 and \$6,003, and interest on bank accounts of \$120 and \$135, 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, 2021 and 2020, are \$55,839 and \$120,292, respectively.

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

Year Ending December 31:	
2022	\$ 55,839

10. SUBSEQUENT EVENTS ANALYSIS

Management has evaluated subsequent events through March 8, 2022, the date on which the financial statements were available to be issued. During this period, the Church decided not to purchase the land in which they had an earnest deposit of \$50,000. Based on the terms of the agreement, the church will receive \$15,000 as a refund, but will forfeit the remaining \$35,000. The church also refinanced the loan with First Bank to Truist Financial. There were no other subsequent events noted.