

Transformation Church, Inc.

Financial Statements

Year Ended December 31, 2024

TRANSFORMATION CHURCH, INC.
TABLE OF CONTENTS
DECEMBER 31, 2024

	Page
Independent Auditors’ Report	1-2
Audited Financial Statements:	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements	7-12

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Transformation Church, Inc.
Indian Land, South Carolina

Opinion

We have audited the accompanying financial statements of Transformation Church, Inc. (the "Church" - a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to 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, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of 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 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 audit. 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 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, 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 purposes 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.

Foard & Company, P.A.

February 14, 2025

TRANSFORMATION CHURCH, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024

ASSETS

Current Assets:

Cash and cash equivalents	\$ 3,262,870
Investments	963,680
Prepaid expenses	75,772
Inventory	2,894

<i>Total Current Assets</i>	<i>4,305,216</i>
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Non-Current Assets:

Property, net of accumulated depreciation	11,531,334
Intangibles, net of accumulated amortization	9,267
Operating right of use asset	1,240,265
Security deposits	28,401

<i>Total Non-Current Assets</i>	<i>12,809,267</i>
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<i>TOTAL ASSETS</i>	<i>\$ 17,114,483</i>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and credit card payable	\$ 64,925
Payroll liabilities	266,059
Note payable, current portion	168,867
Operating lease liability, current portion	286,249

<i>Total Current Liabilities</i>	<i>786,100</i>
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Non-Current Liabilities:

Note payable, net of loan fees	3,296,894
Operating lease liability	976,554

<i>Total Non-Current Liabilities</i>	<i>4,273,448</i>
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<i>Total Liabilities</i>	<i>5,059,548</i>
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Net Assets:

Without donor restrictions	12,054,935
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<i>Total Net Assets</i>	<i>12,054,935</i>
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<i>TOTAL LIABILITIES AND NET ASSETS</i>	<i>\$ 17,114,483</i>
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TRANSFORMATION CHURCH, INC.**STATEMENT OF ACTIVITIES****YEAR ENDED DECEMBER 31, 2024**

	Without Donor Restrictions	With Donor Restrictions	Totals
<u>SUPPORT AND REVENUE</u>			
Offerings/tithes	\$ 9,965,048	\$ -	\$ 9,965,048
Ministry income	96,585	194,438	291,023
Investment income	118,998	-	118,998
Loss on disposal of assets	(7,443)	-	(7,443)
In-kind	24,541	-	24,541
Other income	33,772	-	33,772
Net Assets released from restrictions:			
Satisfaction of purpose restrictions	197,668	(197,668)	-
<u>TOTAL SUPPORT AND REVENUE</u>	<u>10,429,169</u>	<u>(3,230)</u>	<u>10,425,939</u>
<u>EXPENSES</u>			
Program expenses	7,990,590	-	7,990,590
Management and general expenses	1,768,145	-	1,768,145
Fundraising expenses	133,572	-	133,572
<u>TOTAL EXPENSES</u>	<u>9,892,307</u>	<u>-</u>	<u>9,892,307</u>
<u>CHANGE IN NET ASSETS</u>	<u>536,862</u>	<u>(3,230)</u>	<u>533,632</u>
<u>NET ASSETS, BEGINNING</u>	<u>11,518,073</u>	<u>3,230</u>	<u>11,521,303</u>
<u>NET ASSETS, ENDING</u>	<u>\$ 12,054,935</u>	<u>\$ -</u>	<u>\$ 12,054,935</u>

TRANSFORMATION CHURCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	Program Expenses	Management and General	Fundraising	Total Expenses
<i>EXPENSES</i>				
Generosity	\$ 1,095,329	\$ -	\$ -	\$ 1,095,329
Salary and wages	2,740,360	980,968	87,082	3,808,410
Payroll taxes and benefits	837,709	296,295	26,303	1,160,307
Church events and retreats	289,344	-	-	289,344
Advertising and promotion	2,142	-	-	2,142
Bank charges and processing fees	-	120,879	-	120,879
Conferences, conventions, and meetings	31,111	11,137	989	43,237
Direct costs	29,885	-	-	29,885
Depreciation and amortization	890,678	9,088	9,088	908,854
Equipment and technology	319,938	111,020	1,274	432,232
Facilities	540,812	517	517	541,846
Meals	81,432	-	-	81,432
Insurance	7,777	37,586	247	45,610
Interest	127,525	1,301	1,301	130,127
Other expenses	11,629	59,759	-	71,388
Postage and delivery	4,034	212	-	4,246
Printing and copying	40,817	2,148	-	42,965
Professional and contract services	569,495	77,153	-	646,648
Repairs and maintenance	37,907	387	387	38,681
Supplies	109,131	16,667	1,576	127,374
Telephone	64,023	22,918	2,034	88,975
Travel	53,146	19,025	1,689	73,860
Utilities	106,366	1,085	1,085	108,536
<i>TOTAL EXPENSES</i>	\$ 7,990,590	\$ 1,768,145	\$ 133,572	\$ 9,892,307

TRANSFORMATION CHURCH, INC.**STATEMENT OF CASH FLOWS****DECEMBER 31, 2024**

OPERATING ACTIVITIES

Change in net assets	\$ 533,632
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Depreciation and amortization	908,854
Change in operating right of use asset and liability	(25,162)
Loss on disposal of assets	7,443
Decrease (increase) in operating assets:	
Prepaid expenses	58,121
Inventory	1,374
Increase (decrease) in operating liabilities:	
Accounts payable and credit card payable	(57,234)
Payroll liability	57,693
<u>Cash from Operating Activities</u>	<u>1,484,721</u>

INVESTING ACTIVITIES

Purchase of property	(3,740,862)
Purchase of investments	(226,166)
Proceeds from sale of investments	1,250,000
<u>Cash from Investing Activities</u>	<u>(2,717,028)</u>

FINANCING ACTIVITIES

Payments on notes payable	(231,523)
<u>Cash from Financing Activities</u>	<u>(231,523)</u>

<u>CHANGE IN CASH AND CASH EQUIVALENTS</u>	<u>(1,463,830)</u>
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<u>CASH AND CASH EQUIVALENTS, BEGINNING</u>	<u>4,726,700</u>
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<u>CASH AND CASH EQUIVALENTS, ENDING</u>	<u>\$ 3,262,870</u>
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TRANSFORMATION CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 - NATURE OF OPERATION AND ACTIVITIES

Organization

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). The Church’s primary source of support is member contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of presentation

The Church is required to report information regarding its financial position and activities according to the following classes of net assets:

- *Net assets without donor restrictions* – These amounts are not subject to any donor-imposed stipulations. Net assets without donor restrictions can be designated by the Church for specific purposes. However, these funds have not been restricted by donors.
- *Net assets with donor restrictions* – These amounts are subject to donor-imposed stipulations. These restrictions may be temporary in nature, with the restriction being met either by actions of the Church or the passage of time, or permanent, such that the net assets must be held in perpetuity by the Church. At year-end the Church had no net assets with donor restrictions.

Contributions

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, contributions and revenue are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Gifts of land, buildings and equipment are recorded as increases in net assets without donor restrictions unless explicit donor restrictions specify how the donated assets must be used. Contributions with donor-imposed restrictions, such as time or purpose restrictions, are recorded as net assets with restrictions. When donor-imposed time restrictions expire, or a donor-imposed purpose restriction is fulfilled, the net assets with restrictions are released to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

Other support

Contributions of marketable securities are generally sold upon receipt. Donated real property, equipment or materials, if significant, are included in support at fair value.

Cash and cash equivalents

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

TRANSFORMATION CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

Inventory

The Church has an inventory of books and apparel which are recorded at the lower of cost or market. As of December 31, 2024, the inventory was valued at \$2,894. Management estimates that no allowance for slow-moving inventory was necessary during the period presented.

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 and equipment acquisitions are capitalized if they are in excess of \$2,500. Depreciation 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 and goods

The Church records donated services as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Numerous unpaid volunteers have made significant contributions of their time to assist the Church in achieving its mission. The value of this contributed time is not reflected in these financial statements since it does not meet the above recognition criteria. During the year ended December 31, 2024, the Church recognized donated goods of \$24,541 which consisted of donated leasehold improvements and equipment. The items were valued at the cost the Church would have had to pay had they not been donated.

Leases

The Church determines if an arrangement is or contains a lease at inception. Leases are included in the right of use ("ROU") assets and operating lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Church does not report ROU assets and lease liabilities for its leases with a term of 12 months or less; rather, they are reported as a lease expense on a straight-line basis over the lease term.

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.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

TRANSFORMATION CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

Income tax status

The Church is a nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code with respect to its exempt function income.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Church has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The table below represents financial assets available for general expenditures within one year.

Cash and cash equivalents	\$ 3,262,870
Investments	<u>963,680</u>
Total financial assets	4,226,550
Less: Amounts not available for general expenditure	<u>-</u>
Assets available to meet expenditures within one year	<u><u>\$ 4,226,550</u></u>

NOTE 4 – INVESTMENTS

The investment balance as of December 31, 2024, consists of a federated treasury money market mutual fund. The investment balance is recorded at fair value.

NOTE 5 – PROPERTY

The Church records property at cost and provides for depreciation using the straight-line method over the estimated useful life of the asset which ranges from 5 years to 39 years. Leasehold improvements are depreciated over the life of the lease. Maintenance and repairs are expensed as paid; major renewals or betterments over \$2,500 are capitalized. Depreciation expense for the year ended December 31, 2024, was \$906,144.

Church property at December 31, 2024, consisted of the following:

Land	\$ 1,882,322
Building and improvements	7,452,291
Leasehold improvements	2,450,940
Furniture, fixtures and equipment	<u>3,907,766</u>
Total Fixed Assets	15,693,319
Less – accumulated depreciation	<u>4,161,985</u>
Total (Net)	<u><u>\$ 11,531,334</u></u>

TRANSFORMATION CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 6 – INTANGIBLE ASSETS

Intangible assets consist of logo costs exceeding \$2,500. Amortization expense is recorded using the straight-line method of amortization over the estimated useful life of the logo, which is fifteen years. The cost of the website was \$16,500, and the accumulated amortization was \$7,233, as of December 31, 2024. Amortization expense for the year ended December 31, 2024, was \$800.

NOTE 7 – OPERATING LEASES

The Church leases facility and equipment under various long-term non-cancelable operating lease arrangements. The operating ROU assets represent the Church's right to use underlying assets for the lease term, and the operating lease liability represents the Church's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease term. The Church has made an accounting policy election to use a risk-free rate of interest in lieu of its incremental borrowing rate to discount future lease payments.

At December 31, 2024, the operating lease right-of-use asset balance was \$1,240,265, and the operating lease liability was \$1,262,803. The Church did not have any operating leases with a term of 12 months or less.

Total lease costs for the year ended December 31, 2024, was \$338,693.

Weighted-average discount rate:

Operating lease	5.96%
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Weighted-average remaining lease term

Operating lease	3.85
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Future minimum lease payments required under the operating lease are as follows:

2025	\$ 353,805
2026	364,197
2027	374,962
2028	321,157
2029	4,990
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Total	1,419,111
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Less – present value discount	156,308
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Total	<u><u>\$ 1,262,803</u></u>

TRANSFORMATION CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 8 – NOTE PAYABLE

Description

The Church's current loan commenced on January 26, 2022 with 120 payments of \$24,138 each month. The maturity date on the loan is January 26, 2032, 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 the Church must maintain funds and investments at Truist Bank. At December 31, 2024, the loan balance was \$3,479,289.

Loan fees

Loan fees of \$19,099 were incurred and are being amortized over the life of the note payable. Amortization expense of \$1,910 was recognized during the year. In accordance with GAAP, the remaining unamortized costs are presented net of the liability for note payable.

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

2025	\$ 168,867
2026	174,960
2027	181,273
2028	187,814
Thereafter	<u>2,766,375</u>
Total	3,479,289
Less – unamortized loan fees	<u>13,528</u>
Total	<u><u>\$ 3,465,761</u></u>

NOTE 9 - PENSION AND HEALTH SAVING ACCOUNTS

The Church contributed \$94,314 to employees' HSA accounts during the year ended December 31, 2024. The Church sponsors a 401(k) plan for employees. The Church contributed \$137,765 to employees' retirement plans during the year ended December 31, 2024.

NOTE 10 - CONCENTRATIONS OF RISK

Cash and cash equivalents

Financial instruments, which potentially subject the Church to concentrations of credit risk, consist principally of cash. 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, 2024, the Church had funds above the federally insured limit in the amount of \$1,840,268. Management believes that these financial institutions have strong credit ratings and that credit risk related to these deposits is minimal.

TRANSFORMATION CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

Geographic Area

The Church operates in a small geographic area and is, therefore, sensitive to changes in the local economy.

NOTE 12 - SUBSEQUENT EVENTS

The Church has evaluated subsequent events from the date of the statement of financial position through the date of the independent auditor's report, which is the date the audited financial statements were available for issuance. During this period, no material subsequent events were identified.