

**THE GINGHAMSBURG UNITED METHODIST
CHURCH OF MIAMI COUNTY,
STATE OF OHIO, INC.
DBA GINGHAMSBURG CHURCH**

Financial Statements

As of December 31, 2017 and 2016

With
Report of Independent Accountants

PRITCHETT, DLUSKY, SAXE & KELLER, LTD.



John E. Pritchett (1917 - 1997)
Ronald F. Saxe (1940 - 1997)
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Administrative Board
The Ginghamburg United Methodist Church
of Miami County, State of Ohio, Inc.
DBA Ginghamburg Church

We have reviewed the accompanying statements of financial position of The Ginghamburg United Methodist Church of Miami County, State of Ohio, Inc. DBA Ginghamburg Church (a nonprofit organization) as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Pritchett, Dlusky, Saxe & Keller, Ltd.

February 22, 2019

THE GINGHAMSBURG UNITED METHODIST CHURCH
OF MIAMI COUNTY, STATE OF OHIO, INC.
DBA GINGHAMSBURG CHURCH

Statements of Financial Position
December 31, 2017 and 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current assets		
Cash		
Unrestricted	\$ 672,690	\$ 1,065,538
Temporarily restricted	<u>736,884</u>	<u>755,770</u>
Total cash	\$ 1,409,574	\$ 1,821,308
Investments (Note 9)	9,678	42,994
Accounts receivable, no allowance for doubtful accounts	25,037	22,027
Inventory	47,481	28,688
Prepaid expenses	<u>34,372</u>	<u>36,559</u>
Total current assets	<u>\$ 1,526,142</u>	<u>\$ 1,951,576</u>
Property and equipment (Note 3)		
Land	\$ 728,099	\$ 728,099
Land improvements	1,272,120	1,265,105
Buildings and building improvements	9,903,342	9,824,162
Equipment	<u>5,679,682</u>	<u>5,192,471</u>
	\$ 17,583,243	\$ 17,009,837
Less: accumulated depreciation	<u>9,626,885</u>	<u>9,130,767</u>
Net property and equipment	<u>\$ 7,956,358</u>	<u>\$ 7,879,070</u>
Other assets		
Officer loan receivable (Note 8)	\$ -0-	\$ 205,090
Deferred compensation plan (Note 6)	<u>167,177</u>	<u>128,794</u>
Total other assets	<u>\$ 167,177</u>	<u>\$ 333,884</u>
Total assets	<u>\$ 9,649,677</u>	<u>\$ 10,164,530</u>

See independent accountant's report and accompanying notes to the financial statements.

<u>LIABILITIES AND NET ASSETS</u>	<u>2017</u>	<u>2016</u>
Current liabilities		
Accounts payable	\$ 162,527	\$ 105,949
Accrued salaries	128,449	127,581
Accrued expenses	94,427	54,482
Deferred revenue	2,430	3,654
Fiscal agent (Note 12)	29	29
Line of credit	249,000	-0-
Current portion of long-term debt	50,075	213,557
Current portion of obligations under capital lease (Note 14)	<u>12,407</u>	<u>11,580</u>
Total current liabilities	\$ 699,344	\$ 516,832
Deferred compensation (Note 6)	167,177	150,794
Obligation under capital lease (Note 14)	28,769	41,176
Long-term debt (Note 3)	<u>-0-</u>	<u>50,075</u>
Total liabilities	\$ 895,290	\$ 758,877
Net assets		
Unrestricted:		
Undesignated	\$ 7,738,578	\$ 8,323,434
Designated for specific purposes:		
Preschool	166,250	221,387
Bookstore/Global	<u>112,675</u>	<u>105,062</u>
Total unrestricted	\$ 8,017,503	\$ 8,649,883
Temporarily restricted (Note 5)	<u>736,884</u>	<u>755,770</u>
Total net assets	<u>\$ 8,754,387</u>	<u>\$ 9,405,653</u>
Total liabilities and net assets	<u>\$ 9,649,677</u>	<u>\$ 10,164,530</u>

THE GINGHAMSBURG UNITED METHODIST CHURCH
OF MIAMI COUNTY, STATE OF OHIO, INC.
DBA GINGHAMSBURG CHURCH

Statements of Activities
For the Years Ending December 31, 2017 and 2016

	<u>2017</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Contributions and gifts	\$ 5,045,367	\$ 857,442	\$ 5,902,809
Student registrations	1,101,656	-0-	1,101,656
Program income and other	884,967	-0-	884,967
Rental income	233,073	-0-	233,073
Investment income	-0-	709	709
Gain (loss) on disposal of assets	(3,260)	-0-	(3,260)
Net assets released from restrictions (Note 4)	<u>877,037</u>	<u>(877,037)</u>	<u>-0-</u>
Total support and revenue	<u>\$ 8,138,840</u>	<u>\$ (18,886)</u>	<u>\$ 8,119,954</u>
Expenses			
Personnel	\$ 4,366,063	\$ -0-	\$ 4,366,063
Administrative	890,367	-0-	890,367
Program	1,720,467	-0-	1,720,467
Missions	1,244,994	-0-	1,244,994
Interest	22,069	-0-	22,069
Depreciation	<u>527,260</u>	<u>-0-</u>	<u>527,260</u>
Total expenses	<u>\$ 8,771,220</u>	<u>\$ -0-</u>	<u>\$ 8,771,220</u>
Change in net assets	\$ (632,380)	\$ (18,886)	\$ (651,266)
Net assets at beginning of year	<u>8,649,883</u>	<u>755,770</u>	<u>9,405,653</u>
Net assets at end of year	<u>\$ 8,017,503</u>	<u>\$ 736,884</u>	<u>\$ 8,754,387</u>

See independent accountant's report and accompanying notes to the financial statements.

2016

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 5,358,609	\$ 838,184	\$ 6,196,793
1,116,890	-0-	1,116,890
800,286	-0-	800,286
233,615	-0-	233,615
-0-	610	610
6,529	-0-	6,529
<u>1,237,716</u>	<u>(1,237,716)</u>	<u>-0-</u>
<u>\$ 8,753,645</u>	<u>\$ (398,922)</u>	<u>\$ 8,354,723</u>
\$ 4,062,513	\$ -0-	\$ 4,062,513
980,818	-0-	980,818
1,708,899	-0-	1,708,899
1,264,006	-0-	1,264,006
22,110	-0-	22,110
<u>463,717</u>	<u>-0-</u>	<u>463,717</u>
<u>\$ 8,502,063</u>	<u>\$ -0-</u>	<u>\$ 8,502,063</u>
\$ 251,582	\$ (398,922)	\$ (147,340)
<u>8,398,301</u>	<u>1,154,692</u>	<u>9,552,993</u>
<u>\$ 8,649,883</u>	<u>\$ 755,770</u>	<u>\$ 9,405,653</u>

THE GINGHAMSBURG UNITED METHODIST CHURCH
OF MIAMI COUNTY, STATE OF OHIO, INC.
DBA GINGHAMSBURG CHURCH

Statements of Cash Flows
For the Years Ending December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (651,266)	\$ (147,340)
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	527,260	463,717
Bad debts	25,846	43,437
Unrealized (increase) decrease in market value of investments	(490)	208
Realized loss (gain) on sale of assets	3,260	(6,529)
(Increase) decrease in:		
Accounts receivable	(3,010)	3,876
Inventory	(18,793)	(3,293)
Prepaid expense	2,187	(2,522)
Deferred compensation	(38,383)	(6,633)
Increase (decrease) in:		
Accounts payable	56,578	7,150
Accrued salaries	868	4,043
Accrued expenses	39,945	(5,444)
Accrued interest	-0-	(2,180)
Fiscal agent	-0-	29
Deferred revenue	(1,224)	(1,509)
Deferred compensation	<u>16,383</u>	<u>28,633</u>
Net cash (used in) provided by operating activities	\$.....(40,839)	\$.....375,643

See independent accountant's report and accompanying notes to the financial statements.

	<u>2017</u>	<u>2016</u>
Net cash flows from investing activities:		
Purchase of equipment	\$ (625,288)	\$ (495,346)
Proceeds from sale of equipment	17,480	11,600
Payments on note receivable	179,244	-0-
Proceeds from sale of investments	34,025	-0-
Purchase of investments	<u>(219)</u>	<u>(818)</u>
Net cash used in investing activities	\$.....(394,758)	\$.....(484,564)
Net cash flows from financing activities:		
Collections of contributions restricted for long-term purposes:		
Capital campaign	\$ -0-	\$ 12,618
Payments on long-term debt	(213,557)	(219,217)
Proceeds from line of credit	429,000	-0-
Payments on line of credit	(180,000)	-0-
Proceeds from capital lease	-0-	63,053
Payments on capital lease	<u>(11,580)</u>	<u>(10,297)</u>
Net cash provided by (used in) financing activities	<u>\$ 23,863</u>	<u>\$ (153,843)</u>
(Decrease) increase in cash	\$ (411,734)	\$ (262,764)
Cash at beginning of year	<u>1,821,308</u>	<u>2,084,072</u>
Cash at the end of year	<u>\$ 1,409,574</u>	<u>\$ 1,821,308</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 22,069</u>	<u>\$ 18,778</u>

THE GINGHAMSBURG UNITED METHODIST CHURCH
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DBA GINGHAMSBURG CHURCH
Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Ginghamburg United Methodist Church, of Miami County, State of Ohio, Inc. DBA Ginghamburg Church (the Church) is a not-for-profit Ohio corporation supported primarily through contributions from the congregation. The Church is dedicated to spreading the Gospel through establishing, developing, and promoting all aspects of church ministry within Tipp City, Ohio, and the surrounding communities.

Basis of accounting - The financial statements of the Church have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Income taxes – The Church is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

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

Accounts receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from service fees and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. In management's opinion, there are no material uncollectible receivables at December 31, 2017 and 2016. Therefore, allowances have not been established.

Land, buildings and equipment - The old church and Discipleship Center are recorded at an appraised value totaling \$684,000. The historical cost of the main campus is \$4,845,630. All other fixed assets are recorded at historical cost if purchased and fair value if donated. It is the Church's policy to capitalize individual items costing more than \$1,000. Depreciation is recorded over the estimated useful lives of the assets, utilizing the straight-line method. Depreciation expense for the assets stated at cost and for the appraised assets was \$527,260 and \$463,717 for the years ending December 31, 2017 and 2016, respectively.

Statement of cash flows - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

THE GINGHAMSBURG UNITED METHODIST CHURCH
OF MIAMI COUNTY, STATE OF OHIO, INC.
DBA GINGHAMSBURG CHURCH
Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of donor restricted contributions - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed services – The Church receives a substantial amount of services donated by its members in carrying out the church’s ministry. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under generally accepted accounting principles.

Bookstore inventory - Inventory is stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

Compensated absences - It is impracticable to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Church’s policy is to recognize the costs of compensated absences when actually paid to employees.

Sales tax - The Church collects sales tax. The amount received is credited to a liability account and as payments are made, this account is charged. At any point in time, this account represents the net amount owed to the taxing authority for amounts collected but not yet remitted.

Uncertain Tax Positions - The Church may recognize the tax benefit from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Church and various positions related to the potential sources of unrelated business taxable income (UBIT). The Church has analyzed its tax positions taken for filings with the Internal Revenue Service. The Church believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Church’s financial condition or results of operations. Accordingly, the Church has not recorded any tax assets or liabilities, or related accruals for interest and penalties, for uncertain income tax positions at December 31, 2017.

THE GINGHAMSBURG UNITED METHODIST CHURCH
OF MIAMI COUNTY, STATE OF OHIO, INC.
DBA GINGHAMSBURG CHURCH
Notes to the Financial Statements

NOTE 2 - RELATED PARTIES

New Creation Counseling Center, Inc., Dream Builders Group, Inc., The New Path, Inc., and Mosaic Church Ministries, LLC are affiliates of the Church whose financial statements were not consolidated due to lack of control. The Church provided \$109,000, \$106,439, \$128,994, and \$175,000, respectively in support to these affiliates during the year ended December 31, 2017. The Church provided \$112,750, \$117,480, \$172,401, and \$-0-, respectively in support to these affiliates during the year ended December 31, 2016.

NOTE 3 - LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
Note payable, secured by a mortgage, interest at the one month LIBOR rate plus 1.25%, principal of \$16,692 paid monthly, until March 1, 2018, on which date the entire remaining unpaid principal will be due.	\$ 50,075	\$ 250,375
Fixed rate note payable, secured by 2 vans, interest at 5.76% per annum, principal and interest of \$1,124 paid monthly, until November 26, 2017.	<u>-0-</u>	<u>13,257</u>
	\$ 50,075	\$ 263,632
Less current maturities	<u>50,075</u>	<u>213,557</u>
	<u>\$ -0-</u>	<u>\$ 50,075</u>

The loan agreement associated with the \$50,075 note contains various covenants which require the Church to maintain certain financial ratios. The Church is in technical default of one of the covenants at December 31, 2017. However, management has classified the debt as long-term in the statement of financial position as of December 31, 2017 as the bank has not imposed any demands on the note due to noncompliance with the loan covenant.

THE GINGHAMSBURG UNITED METHODIST CHURCH
OF MIAMI COUNTY, STATE OF OHIO, INC.
DBA GINGHAMSBURG CHURCH
Notes to the Financial Statements

NOTE 3 - LONG-TERM DEBT (Continued)

Future maturities of long-term debt over the next three years are as follows for the years ending December 31:

2018	\$ <u>50,075</u>
	<u>\$ 50,075</u>

NOTE 4 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors during the years ending December 31:

	<u>2017</u>	<u>2016</u>
Purpose restrictions accomplished:		
Land, buildings and equipment	\$ 72,227	\$ 512,585
Debt reduction	37,172	-0-
Love fund	15,526	10,423
Young Heroes	34,025	-0-
Miracle offering	602,804	657,224
Miscellaneous	<u>115,283</u>	<u>57,484</u>
	<u>\$ 877,037</u>	<u>\$ 1,237,716</u>

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2017</u>	<u>2016</u>
Capital improvements	\$ 124,026	\$ 22,302
Debt reduction	6,256	-0-
Love fund	4,671	5,829
Young heroes	9,678	42,994
Miracle offering	420,338	569,362
Miscellaneous	<u>171,915</u>	<u>115,283</u>
	<u>\$ 736,884</u>	<u>\$ 755,770</u>

THE GINGHAMSBURG UNITED METHODIST CHURCH
OF MIAMI COUNTY, STATE OF OHIO, INC.
DBA GINGHAMSBURG CHURCH
Notes to the Financial Statements

NOTE 6 - PENSION AND DEFERRED COMPENSATION

The pastors of the Church are covered under the United Methodist Church Pension Plan. The Church contributed \$11,503 and \$20,252 to the General Board of Pensions for the years ending December 31, 2017 and 2016, respectively.

The Church has established a non-qualified deferred compensation plan for key employees. Under this plan, the Church may make, in its sole discretion, an employer contribution from time to time by crediting an amount to the participant's account. A participant may elect the investment options that shall apply to the balance in the participant's account. A participant shall be fully vested in the amounts in the participant's account attributable to the participant's compensation deferral elections. If employer contributions are made under the Plan, a participant shall be vested in the amount in the participant's account attributable to employer contributions in accordance with a vesting schedule set forth in writing by the Plan Administrator by no later than the grant date. If no vesting schedule is provided by the Plan Administrator, the participant shall be fully and immediately vested with respect to each employer contribution made on the grant date. Contributions to the plan in 2017 and 2016 were \$-0- and \$22,000, respectively. The total liability related to these plans was \$167,177 and \$150,794 at December 31, 2017 and 2016, respectively.

NOTE 7 – OPERATING LEASES

The Church leases automobiles and office equipment under operating lease agreements expiring through the year 2021. Rent expense for the years ending December 31, 2017 and 2016 was \$43,786 and \$46,570, respectively. Minimum future rental payments under the non-cancelable lease are as follows for the years ending December 31:

2018	\$ 37,356
2019	37,356
2020	37,356
2021	<u>3,113</u>
Total minimum future rental payments	<u>\$ 115,181</u>

THE GINGHAMSBURG UNITED METHODIST CHURCH
OF MIAMI COUNTY, STATE OF OHIO, INC.
DBA GINGHAMSBURG CHURCH
Notes to the Financial Statements

NOTE 8 – OFFICER LOAN RECEIVABLE

The Church pays the premiums on a life insurance policy owned by an officer under a split-dollar agreement. The Church will be reimbursed for the premiums paid in the event of the officer's death, termination of employment or termination of the policy. The policy was cancelled in 2017 and the loan was repaid. The balance in the receivable account was \$205,090 at December 31, 2017.

NOTE 9 – INVESTMENTS

Investments are stated at fair value and consist of mutual funds. Fair values and unrealized appreciation (depreciation) at December 31, 2017 and 2016 are summarized as follows:

	December 31, 2017			December 31, 2016		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Unrestricted:						
Mutual funds	\$ 18,940	\$ 9,678	\$ (9,262)	\$ 52,475	\$ 42,994	\$ (9,481)

The following schedule summarizes the unrestricted investment return and its classification in the statement of activities for the years ended December 31:

	2017	2016
Dividends	\$ 219	\$ 818
Net realized and unrealized gain (loss)	490	(208)
Total investment return	\$ 709	\$ 610

THE GINGHAMSBURG UNITED METHODIST CHURCH
OF MIAMI COUNTY, STATE OF OHIO, INC.
DBA GINGHAMSBURG CHURCH
Notes to the Financial Statements

NOTE 10 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Church has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Mutual funds and deferred compensation plan: Valued at the daily closing price as reported by the fund. Mutual funds held by the Church are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Church are deemed to be actively traded.

THE GINGHAMSBURG UNITED METHODIST CHURCH
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DBA GINGHAMSBURG CHURCH
Notes to the Financial Statements

NOTE 10 - FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Church's assets at fair value as of December 31, 2017 and 2016:

	<u>Assets at Fair Value as of December 31, 2017</u>			
	Active Markets for Identical Assets <u>Level 1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobserv- able Inputs <u>Level 3</u>	<u>Total</u>
Investments in mutual funds	\$ 9,678	\$ -0-	\$ -0-	\$ 9,678
Deferred compensation plan	<u>167,177</u>	<u>-0-</u>	<u>-0-</u>	<u>167,177</u>
Total assets at fair value	<u>\$ 176,855</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 176,855</u>

	<u>Assets at Fair Value as of December 31, 2016</u>			
	Active Markets for Identical Assets <u>Level1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobserv- able Inputs <u>Level 3</u>	<u>Total</u>
Total assets at fair value:				
Investments in mutual funds	\$ 42,994	\$ -0-	\$ -0-	\$ 42,994
Deferred compensation plan	<u>128,794</u>	<u>-0-</u>	<u>-0-</u>	<u>128,794</u>
Total assets at fair value	<u>\$ 171,788</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 171,788</u>

NOTE 11 – CONCENTRATION OF CREDIT RISK

The Church maintains several bank accounts at one bank. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at this institution exceeded federally insured limits. The amount in excess of the FDIC limit totaled \$994,025 as of December 31, 2017.

THE GINGHAMSBURG UNITED METHODIST CHURCH
OF MIAMI COUNTY, STATE OF OHIO, INC.
DBA GINGHAMSBURG CHURCH
Notes to the Financial Statements

NOTE 12 – FISCAL AGENT

During the year ending December 31, 2017, The Church received grants, as fiscal agent, for Miami County Continuum of Care (MCCC).

The Church acts as the agent for the grants given to MCCC. The financial effects of transactions related to MCCC funds are recorded as changes in the funds held for fiscal agent liability and are not included in the statement of activities. The changes in that liability are summarized as follows:

	<u>2017</u>	<u>2016</u>
Additions:		
Contribution/grant income	\$ 298	\$ 366
Deductions:		
Salaries and other expenses	_____ (298)	_____ (337)
Change in balance	\$ -0-	\$ 29
Balance in agency funds, beginning of period	_____ 29	_____ -0-
Balance in agency funds, end of period	\$ _____ 29	\$ _____ 29

NOTE 13 – COMMITMENTS

On February 24, 2017 the Church entered into a memorandum of understanding (MOU) with the lead pastor in regards to his services as Pastor Emeritus and Global Church Ambassador from July 1, 2017 through December 31, 2018. He will retain the compensation package in effect as of the signing of the MOU through December 31, 2017. As of January 1, 2018, the compensation package will consist of an annual retainer, reimbursement for all health insurance premiums, and administrative support. This MOU will end on December 31, 2018 and will be renewed for 2019, 2020, and 2021 by mutual agreement of the parties. In all events, the compensation/support package shall continue to be payable until December 31, 2021.

THE GINGHAMSBURG UNITED METHODIST CHURCH
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DBA GINGHAMSBURG CHURCH
Notes to the Financial Statements

NOTE 14 – OBLIGATIONS UNDER CAPITAL LEASE

The Church is the lessee of equipment under capital lease expiring in 2021. The cost of the equipment under capital lease was \$63,053 at December 31, 2017, (accumulated depreciation was \$24,170), and the equipment is depreciated over its estimated productive life. The related liability under the capital lease is recorded at the lower of its fair market value or the present value of the minimum lease payments.

Minimum future lease payments under the capital lease as of December 31, 2017 are as follows:

Year ended December 31,		
2018	\$	14,868
2019		14,868
2020		14,868
2021		<u>1,239</u>
	\$	45,843
Less: Amount representing interest		<u>4,667</u>
Present value of net minimum lease payments	\$	41,176
Less: current portion		<u>12,407</u>
Long-term portion	\$	<u><u>28,769</u></u>

NOTE 15 – SUBSEQUENT EVENT

In 2014, the Church received the contribution of a building with an appraised value of \$790,000. On May 7, 2018, the Church sold the building incurring a loss of approximately \$267,000.

NOTE 16 – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Church has evaluated events and transactions for potential recognition or disclosure through February 22, 2019, the date that financial statements were available to be issued.

THE GINGHAMSBURG UNITED METHODIST CHURCH
OF MIAMI COUNTY, STATE OF OHIO, INC.
DBA GINGHAMSBURG CHURCH
Notes to the Financial Statements

NOTE 17 – NEW ACCOUNTING STANDARDS

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements of Not-for-profit Entities. The standard aims to improve nonprofit financial statements in an effort to provide more useful information to donors, grantors, creditors, and other users. Major components of this standard include: net asset classifications, liquidity and availability of cash and consistency in reporting expenses. Net asset classifications will be reduced from three classes (unrestricted, temporarily restricted, and permanently restricted) to two (net assets with donor restrictions and net assets without donor restrictions). Updated disclosure requirements will be presented regarding risk exposure and availability of cash for short term use. Expenses will be reported by both their natural and functional classification to aid in the usefulness of financial statements. This standard will be effective for the Church's year ending December 31, 2018.