

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

Financial Statements

As of December 31, 2019 and 2018

With
Report of Independent Accountants

PRITCHETT, DLUSKY, SAXE & KELLER, LTD.



CERTIFIED PUBLIC ACCOUNTANTS

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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 statements of The Ginghamburg United Methodist Church of Miami County, State of Ohio, Inc. DBA Ginghamburg Church (a nonprofit organization) which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, 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 15, 2021

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

Statements of Financial Position
December 31, 2019 and 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current assets		
Cash		
Unrestricted	\$ 494,206	\$ 542,596
Temporarily restricted	<u>493,366</u>	<u>675,015</u>
Total cash	\$ 987,572	\$ 1,217,611
Investments (Note 9)	-0-	9,537
Accounts receivable, no allowance for doubtful accounts	16,132	15,971
Inventory	34,799	47,078
Prepaid expenses	11,681	33,582
Deferred compensation plan (Note 8)	<u>86,818</u>	<u>85,000</u>
Total current assets	<u>\$ 1,137,002</u>	<u>\$ 1,408,779</u>
Property and equipment		
Land	\$ 608,099	\$ 608,099
Land improvements	1,269,905	1,269,905
Buildings and building improvements	9,258,247	9,252,518
Equipment	<u>5,740,223</u>	<u>5,695,170</u>
	\$ 16,876,474	\$ 16,825,692
Less: accumulated depreciation	<u>10,596,464</u>	<u>10,078,747</u>
Net property and equipment	<u>\$ 6,280,010</u>	<u>\$ 6,746,945</u>
Other assets		
Deferred compensation plan (Note 8)	<u>\$ -0-</u>	<u>\$ 71,140</u>
Total assets	<u>\$ 7,417,012</u>	<u>\$ 8,226,864</u>

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

<u>LIABILITIES AND NET ASSETS</u>	<u>2019</u>	<u>2018</u>
Current liabilities		
Accounts payable	\$ 100,795	\$ 157,731
Accrued salaries	122,503	147,117
Accrued expenses	18,668	40,791
Deferred revenue	1,262	829
Deferred compensation (Note 8)	86,818	85,000
Current portion of long-term debt	8,862	-0-
Current portion of obligations under capital lease (Note 14)	<u>14,243</u>	<u>13,294</u>
Total current liabilities	\$ 353,151	\$ 444,762
Deferred compensation (Note 8)	-0-	71,140
Long-term debt (Note 4)	15,269	-0-
Obligation under capital lease (Note 14)	<u>1,232</u>	<u>15,475</u>
Total liabilities	\$ <u>369,652</u>	\$ <u>531,377</u>
Net assets (Note 6)		
Without donor restrictions:		
Undesignated	\$ 6,406,008	\$ 6,820,896
Designated for specific purposes:		
Preschool	76,658	92,007
Bookstore/Global	<u>71,328</u>	<u>107,569</u>
Total net assets without donor restrictions	\$ 6,553,994	\$ 7,020,472
Net assets with donor restrictions	<u>493,366</u>	<u>675,015</u>
Total net assets	\$ <u>7,047,360</u>	\$ <u>7,695,487</u>
Total liabilities and net assets	<u>\$ 7,417,012</u>	<u>\$ 8,226,864</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, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions and gifts	\$ 4,278,607	\$ 413,614	\$ 4,692,221
Student registrations	1,248,168	-0-	1,248,168
Program income and other	467,566	3	467,569
Rental income	-0-	-0-	-0-
Investment income	-0-	44	44
Gain (loss) on disposal of assets	1,300	-0-	1,300
Net assets released from restrictions (Note 5)	595,310	(595,310)	-0-
Total support and revenue	\$ 6,590,951	\$ (181,649)	\$ 6,409,302
Expenses			
Programs			
Outreach	\$ 1,726,724	\$ -0-	\$ 1,726,724
Discipleship	1,916,643	-0-	1,916,643
Weekend experience	1,423,862	-0-	1,423,862
Preschool	1,120,717	-0-	1,120,717
Supporting services			
Administrative	732,881	-0-	732,881
Fundraising	136,602	-0-	136,602
Total expenses	\$ 7,057,429	\$ -0-	\$ 7,057,429
Change in net assets	\$ (466,478)	\$ (181,649)	\$ (648,127)
Net assets at beginning of year	7,020,472	675,015	7,695,487
Net assets at end of year	\$ 6,553,994	\$ 493,366	\$ 7,047,360

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

2018

<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
\$ 4,828,026	\$ 553,060	\$ 5,381,086
1,139,295	-0-	1,139,295
677,206	-0-	677,206
13,825	-0-	13,825
-0-	(141)	(141)
(260,330)	-0-	(260,330)
<u>614,788</u>	<u>(614,788)</u>	<u>-0-</u>
<u>\$ 7,012,810</u>	<u>\$ (61,869)</u>	<u>\$ 6,950,941</u>
\$ 2,180,455	\$ -0-	\$ 2,180,455
2,343,600	-0-	2,343,600
1,446,997	-0-	1,446,997
1,117,157	-0-	1,117,157
811,804	-0-	811,804
<u>109,828</u>	<u>-0-</u>	<u>109,828</u>
<u>\$ 8,009,841</u>	<u>\$ -0-</u>	<u>\$ 8,009,841</u>
\$ (997,031)	\$ (61,869)	\$ (1,058,900)
<u>8,017,503</u>	<u>736,884</u>	<u>8,754,387</u>
<u>\$ 7,020,472</u>	<u>\$ 675,015</u>	<u>\$ 7,695,487</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (648,127)	\$ (1,058,900)
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Depreciation	520,717	530,311
Unrealized decrease (increase) in market value of investments	-0-	314
Realized gain on sale of investments	(15)	-0-
Realized (gain) loss on sale of assets	(1,300)	260,330
(Increase) decrease in:		
Accounts receivable	(161)	9,066
Inventory	12,279	403
Prepaid expense	21,901	790
Deferred compensation	69,322	11,037
Increase (decrease) in:		
Accounts payable	(56,936)	(4,796)
Accrued salaries	(24,614)	18,668
Accrued expenses	(22,123)	(53,636)
Fiscal agent	-0-	(29)
Deferred revenue	433	(1,601)
Deferred compensation	<u>(69,322)</u>	<u>(11,037)</u>
Net cash used in operating activities	\$ <u>(197,946)</u>	\$ <u>(299,080)</u>
Net cash flows from investing activities:		
Purchase of equipment	\$ (53,782)	\$ (88,383)
Proceeds from sale of equipment	1,300	507,155
Proceeds from sale of investments	9,576	-0-
Purchase of investments	<u>(24)</u>	<u>(173)</u>
Net cash (used in) provided by investing activities	\$ <u>(42,930)</u>	\$ <u>418,599</u>

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

	<u>2019</u>	<u>2018</u>
Net cash flows from financing activities:		
Payments on long-term debt	\$ (3,520)	\$ (50,075)
Proceeds from long-term debt	27,651	-0-
Payments on line of credit	-0-	(249,000)
Payments on capital lease	<u>(13,294)</u>	<u>(12,407)</u>
Net cash provided by (used in) financing activities	<u>\$ 10,837</u>	<u>\$ (311,482)</u>
Decrease in cash	\$ (230,039)	\$ (191,963)
Cash at beginning of year	<u>1,217,611</u>	<u>1,409,574</u>
Cash at the end of year	<u>\$ 987,572</u>	<u>\$ 1,217,611</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 2,295</u>	<u>\$ 6,869</u>

THE GINGHAMSBURG UNITED METHODIST CHURCH
OF MIAMI COUNTY, STATE OF OHIO, INC.
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Statement of Functional Expenses
For the Year Ended December 31, 2019

	<u>Program Services</u>				<u>Supporting Services</u>		<u>Total</u>
	<u>Outreach</u>	<u>Discipleship</u>	<u>Weekend Experience</u>	<u>Preschool</u>	<u>Administration</u>	<u>Fundraising</u>	
Personnel	\$ 448,758	\$ 969,249	\$ 848,424	\$ 940,881	\$ 345,439	\$ 7,139	\$ 3,559,890
Office expenses and supplies	-0-	-0-	487	41,282	168,824	75,820	286,413
Information technology	-0-	34,383	34,382	-0-	114,238	-0-	183,003
Occupancy/facilities	2,976	298,528	147,164	33,680	50,200	46,800	579,348
Children, student and adult ministries	102,905	284,174	-0-	-0-	-0-	3,770	390,849
Missions	1,172,085	119	-0-	-0-	-0-	3,073	1,175,277
Depreciation/amortization	-0-	309,624	154,812	4,396	51,885	-0-	520,717
Music ministry and worship	-0-	-0-	192,172	-0-	-0-	-0-	192,172
Conferences, conventions and meetings	-0-	20,566	-0-	5,108	-0-	-0-	25,674
Interest expense	-0-	-0-	-0-	-0-	2,295	-0-	2,295
Cost of sales	-0-	-0-	46,421	95,370	-0-	-0-	141,791
Total expenses, year ended							
December 31, 2019	<u>\$ 1,726,724</u>	<u>\$ 1,916,643</u>	<u>\$ 1,423,862</u>	<u>\$ 1,120,717</u>	<u>\$ 732,881</u>	<u>\$ 136,602</u>	<u>\$ 7,057,429</u>

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

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

Statement of Functional Expenses
For the Year Ended December 31, 2018

	<u>Program Services</u>				<u>Supporting Services</u>		<u>Total</u>
	<u>Outreach</u>	<u>Discipleship</u>	<u>Weekend Experience</u>	<u>Preschool</u>	<u>Administration</u>	<u>Fundraising</u>	
Personnel	\$ 553,184	\$ 1,294,450	\$ 934,368	\$ 894,342	\$ 388,969	\$ 9,678	\$ 4,074,991
Office expenses and supplies	-0-	-0-	589	52,774	178,822	58,752	290,937
Information technology	-0-	47,028	47,029	-0-	135,468	-0-	229,525
Occupancy/facilities	1,584	244,857	120,328	74,439	49,334	31,380	521,922
Children, student and adult ministries	82,039	431,013	-0-	-0-	-0-	2,542	515,594
Missions	1,408,317	-0-	-0-	-0-	-0-	7,476	1,415,793
Depreciation/amortization	6,836	312,364	156,182	2,587	52,342	-0-	530,311
Music ministry and worship	-0-	-0-	151,905	-0-	-0-	-0-	151,905
Conferences, conventions and meetings	-0-	13,888	-0-	4,348	-0-	-0-	18,236
Interest expense	-0-	-0-	-0-	-0-	6,869	-0-	6,869
Cost of sales	-0-	-0-	36,596	88,667	-0-	-0-	125,263
Rental expenses	<u>128,495</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>128,495</u>
Total expenses, year ended December 31, 2018	<u>\$ 2,180,455</u>	<u>\$ 2,343,600</u>	<u>\$ 1,446,997</u>	<u>\$ 1,117,157</u>	<u>\$ 811,804</u>	<u>\$ 109,828</u>	<u>\$ 8,009,841</u>

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

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

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 and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of presentation – The Church is required to report information regarding its financial position and activities according to two classes of net assets: with and without donor restrictions.

Net Assets – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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, 2019 and 2018. Therefore, allowances have not been established.

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)

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 \$520,717 and \$530,311 for the years ending December 31, 2019 and 2018, 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.

Contributions - Gifts of cash and other assets received without donor stipulations are reported as support and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as support and net assets with donor restrictions. When a donor-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 statement of activities as net assets released from restrictions. Gifts having donor stipulations that are satisfied in the period the gift is received are reported as support and net assets without donor restrictions.

Contributed services - The Church receives a substantial amount of services donated by its members in carrying out the Church's ministry. Contributions of services are recognized as support at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. No amounts have been reflected in the financial statements for those services because they do not meet the criteria for recognition.

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.

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)

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, 2019.

Reclassification – Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the 2019 financial statement presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

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 \$118,935, \$115,069, \$158,298, and \$-0-, respectively in support to these affiliates during the year ended December 31, 2019. The Church provided \$111,500, \$124,620, \$154,001, and \$-0-, respectively in support to these affiliates during the year ended December 31, 2018.

NOTE 3 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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

NOTE 4 - LONG-TERM DEBT

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

	<u>2019</u>	<u>2018</u>
Note bearing interest at 6.54 percent per annum. Secured by a vehicle. Due in monthly installments of \$848. Final payment due July 2022.	\$ 24,131	\$ -0-
	\$ 24,131	\$ -0-
Less current maturities	<u>8,862</u>	<u>-0-</u>
	<u>\$ 15,269</u>	<u>\$ -0-</u>

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

2020	\$ 8,862
2021	9,459
2022	<u>5,810</u>
	<u>\$ 24,131</u>

NOTE 5 - 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>2019</u>	<u>2018</u>
Purpose restrictions accomplished:		
Land, buildings and equipment	\$ 44,094	\$ 55,949
Debt reduction	4,640	10,326
Love fund	3,044	3,522
Young Heroes	9,583	-0-
Miracle offering	449,273	373,076
Miscellaneous	<u>84,676</u>	<u>171,915</u>
	<u>\$ 595,310</u>	<u>\$ 614,788</u>

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

NOTE 6 – NET ASSETS

The detail of the Church's net asset categories are as follows at December 31:

	<u>2019</u>	<u>2018</u>
Without donor restrictions:		
Undesignated	\$ 6,406,008	\$ 6,820,896
Preschool	76,658	92,007
Bookstore/Global	<u>71,328</u>	<u>107,569</u>
Total without donor restrictions	\$.....6,553,994	\$.....7,020,472
With donor restrictions:		
Capital improvements	\$ 62,855	\$ 98,644
Debt reduction	23,398	24,251
Love fund	4,934	7,078
Young heroes	2	9,537
Miracle offering	387,478	450,829
Miscellaneous	<u>14,699</u>	<u>84,676</u>
Total with donor restrictions	\$ <u>493,366</u>	\$ <u>675,015</u>
Total net assets	\$ <u>7,047,360</u>	\$ <u>7,695,487</u>

NOTE 7 – OPERATING LEASES

The Church leases office equipment under an operating lease agreement expiring through the year 2021. Rent expense for the years ending December 31, 2019 and 2018 was \$37,356, respectively. Minimum future rental payments under the non-cancelable lease are as follows for the years ending December 31:

2020	\$ 37,356
2021	<u>3,113</u>
Total minimum future rental payments	\$ <u>40,469</u>

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

NOTE 8 - PENSION AND DEFERRED COMPENSATION

The pastors of the Church are covered under the United Methodist Church Pension Plan. The Church contributed \$-0- to the General Board of Pensions for the years ending December 31, 2019 and 2018.

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. There were no contributions to the plan in 2019 and 2018. The total liability related to these plans was \$86,818 and \$156,140 at December 31, 2019 and 2018, respectively.

NOTE 9 – INVESTMENTS

Investments are stated at fair value and consist of mutual funds. Fair values and unrealized appreciation (depreciation) at December 31, 2019 and 2018 are summarized as follows:

	<u>December 31, 2019</u>			<u>December 31, 2018</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Unrestricted:						
Mutual funds	\$ -0-	\$ -0-	\$ -0-	\$ 19,113	\$ 9,537	\$ (9,576)

THE GINGHAMSBURG UNITED METHODIST CHURCH
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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, 2019 and 2018.

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.

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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, 2019 and 2018:

	<u>Assets at Fair Value as of December 31, 2019</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>
Total assets at fair value:				
Investments in mutual funds	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Deferred compensation plan	<u>86,818</u>	<u>-0-</u>	<u>-0-</u>	<u>86,818</u>
Total assets at fair value	<u>\$ 86,818</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 86,818</u>

	<u>Assets at Fair Value as of December 31, 2018</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>
Total assets at fair value:				
Investments in mutual funds	\$ 9,537	\$ -0-	\$ -0-	\$ 9,537
Deferred compensation plan	<u>156,140</u>	<u>-0-</u>	<u>-0-</u>	<u>156,140</u>
Total assets at fair value	<u>\$ 165,677</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 165,677</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 \$705,477 as of December 31, 2019.

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NOTE 12 – FISCAL AGENT

During the year ending December 31, 2018, 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>2019</u>	<u>2018</u>
Additions:		
Contribution/grant income	\$ -0-	\$ -0-
Deductions:		
Salaries and other expenses	_____ -0-	_____ (29)
Change in balance	\$ -0-	\$ (29)
Balance in agency funds, beginning of period	_____ -0-	_____ 29
Balance in agency funds, end of period	<u>\$ -0-</u>	<u>\$ -0-</u>

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.

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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, 2019, (accumulated depreciation was \$49,392), 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, 2019 are as follows:

Year ended December 31,		
2020	\$	14,868
2021		<u>1,239</u>
	\$	16,107
Less: Amount representing interest		<u>632</u>
Present value of net minimum lease payments	\$	15,475
Less: current portion		<u>14,243</u>
Long-term portion	\$	<u><u>1,232</u></u>

NOTE 15 – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Church has evaluated events and transactions for potential recognition or disclosure through February 15, 2021, the date that financial statements were available to be issued.

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NOTE 16 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Church’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2019</u>	<u>2018</u>
Financial assets at year-end	\$ 1,003,654	\$ 1,243,119
Less those unavailable for general expenditures within one year, due to:		
Funds held as fiscal agent	-0-	-0-
Net assets with donor restrictions	493,366	675,015
Board designated net assets	<u>147,986</u>	<u>199,576</u>
 Financial assets available to meet cash needs for general expenditure within one year	 <u>\$ 362,302</u>	 <u>\$ 368,528</u>

As part of the Church’s liquidity management, it invests cash in excess of near-term requirements in investments, typically mutual funds.

NOTE 17 – FASB 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance outlines a single, comprehensive model for accounting for revenue for contracts with customers. The Church adopted the standard on January 1, 2019. The timing of revenue recognition was not affected by the new standard.

The difference to revenue recognition-related account balances at December 31, 2018 under the new guidance as opposed to the prior revenue recognition guidance was determined immaterial. Accordingly, no adjustment to beginning net assets was necessary.

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NOTE 18 – FUTURE CHANGE IN ACCOUNTING PRINCIPLE

Accounting for Leases

In February 2016, the FASB issued ASU 2016-02, Leases. The standard requires all leases with terms over twelve months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating, which will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Church's year ending December 31, 2022.

NOTE 19 – SUBSEQUENT EVENT

During March 2020, U.S. government officials declared a medical emergency in response to a pandemic of respiratory disease caused by a novel corona virus (COVID-19). The Church's operations may be affected by the outbreak but it is uncertain as to the disruption. However, it may result as a material adverse impact on the Church's financial position, operations, and cash flows. Due to the ongoing changes in the situation, an estimate of the financial effect of the pandemic cannot be made.