

BROADMOOR UNITED METHODIST CHURCH

FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

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To the Finance Committee of
Broadmoor United Methodist Church
Baton Rouge, La 70815

We have audited the accompanying financial statements of Broadmoor United Methodist Church which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2016, and the related statements of support and revenues and expenses – modified cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In accordance with the terms of our engagement, we did not confirm contributions by direct correspondence nor did we review individual members' contribution records. We did not satisfy ourselves as to contributions received by other auditing procedures.

Our tests of the designated and memorial fund accounts were limited to testing the validity and documentation of selected expenditures. We did not perform sufficient procedures to ascertain if the expenditures should have been recorded in the operating budget fund. In addition, a sufficient determination of whether account balances should be eliminated or partially transferred to the operating budget fund was not performed.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of Broadmoor United Methodist Church as of December 31, 2016, and the changes in its net assets for the year then ended in accordance with the modified cash basis of accounting.

Basis of Accounting

As discussed in Note 1 of the financial statements, the financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Broadmoor United Methodist Church's December 31, 2015 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated August 19, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it is derived.

Holder, Slaven & Company, LLC

Baton Rouge, Louisiana
January 18, 2018

BROADMOOR UNITED METHODIST CHURCH
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
MODIFIED CASH BASIS
AS OF DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015

	<u>OPERATING</u>	<u>DESIGNATED AND MEMORIALS</u>	<u>MINISTER</u>	<u>INVESTMENTS</u>	<u>December 31, 2016 TOTALS</u>	<u>December 31, 2015 TOTALS</u>
ASSETS						
Current assets:						
Cash	\$ 120,994	\$ 463,316	\$ 3,391	\$ -	\$ 587,701	\$ 574,329
Investments	-	-	-	112,817	112,817	256,380
Board designated endowments	-	-	-	473,312	473,312	447,321
Total current assets	<u>120,994</u>	<u>463,316</u>	<u>3,391</u>	<u>586,129</u>	<u>1,173,830</u>	<u>1,278,030</u>
Capital assets, net	1,792,584	-	-	-	1,792,584	1,550,655
Permanently restricted endowment	-	-	-	14,796	14,796	14,602
Total assets	<u>1,913,578</u>	<u>463,316</u>	<u>3,391</u>	<u>600,925</u>	<u>2,981,210</u>	<u>2,843,287</u>
LIABILITIES						
Current liabilities:						
Payroll deductions payable	3,692	-	-	-	3,692	287
Current portion of long-term debt	-	-	-	-	-	-
Total current liabilities	<u>3,692</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,692</u>	<u>287</u>
NET ASSETS						
Unrestricted, undesignated	1,909,886	74,580	-	64,495	2,048,961	1,950,954
Unrestricted, designated	-	167,665	-	473,312	640,977	389,392
Temporarily restricted	-	221,071	3,391	48,322	272,784	488,052
Permanently restricted	-	-	-	14,796	14,796	14,602
Total net assets	<u>\$ 1,909,886</u>	<u>\$ 463,316</u>	<u>\$ 3,391</u>	<u>\$ 600,925</u>	<u>\$ 2,977,518</u>	<u>\$ 2,843,000</u>

The accompanying notes are an integral part of the financial statements.

BROADMOOR UNITED METHODIST CHURCH
STATEMENT OF SUPPORT AND REVENUES AND EXPENSES
MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2016

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

	OPERATING	DESIGNATED AND MEMORIALS	MINISTER	INVESTMENTS	December 31, 2016 TOTALS	December 31, 2015 TOTALS
SUPPORT AND REVENUES						
Contributions & bequests	\$ 2,007,934	\$ 322,362	\$ 8,125	\$ 29,650	\$ 2,368,071	\$ 2,389,142
BP proceeds		135,185			135,185	-
Proceeds of stock and property sales	45,940	4,967			50,907	310,605
Missional contributions	21,332				21,332	56,723
Preschool	36,000				36,000	36,000
Building usage	11,815				11,815	17,295
Memorial contributions		11,069			11,069	21,126
Interest				24,106	24,106	19,841
Net investment unrealized gain				7,424	7,424	-
Miscellaneous	3,571				3,571	9,126
Total support	<u>2,126,592</u>	<u>473,583</u>	<u>8,125</u>	<u>61,180</u>	<u>2,669,480</u>	<u>2,859,858</u>
EXPENSES						
Personnel:						
Compensation	1,002,622				1,002,622	963,755
Related benefits	334,485				334,485	342,408
Property:						
Maintenance	163,539	14,806	1,539		179,884	162,048
Utilities	129,455				129,455	136,181
Insurance	61,589				61,589	50,824
Claims:						
Conference	217,512	7,346	750		225,608	235,001
District	18,176				18,176	18,379
Programs	168,349	75,600	1,893	6,129	251,971	336,959
Depreciation	114,681				114,681	102,857
Office and administration	89,827	9,323			99,150	82,200
Disaster assistance			69,476		69,476	-
Marketing	19,126				19,126	17,790
Education	20,283				20,283	19,655
Interest					-	819
Miscellaneous	5,524				5,524	-
Loss on dispositions	2,932				2,932	-
Net investment unrealized loss					-	37,263
	<u>2,348,100</u>	<u>107,075</u>	<u>73,658</u>	<u>6,129</u>	<u>2,534,962</u>	<u>2,506,139</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES						
	<u>(221,508)</u>	<u>366,508</u>	<u>(65,533)</u>	<u>55,051</u>	<u>134,518</u>	<u>353,719</u>
INTERFUND TRANSFERS						
Transfer for capital asset acquisitions	340,969	(340,969)	-	-	-	-
Endowment fund transfers	-	172,429	-	(172,429)	-	-
Other transfers	76,255	(133,255)	57,000	-	-	-
	<u>417,224</u>	<u>(301,795)</u>	<u>57,000</u>	<u>(172,429)</u>	<u>-</u>	<u>-</u>
Net change in net assets	195,716	64,713	(8,533)	(117,378)	134,518	353,719
NET ASSETS,						
BEGINNING OF YEAR	<u>1,714,170</u>	<u>398,603</u>	<u>11,924</u>	<u>718,303</u>	<u>2,843,000</u>	<u>2,489,281</u>
NET ASSETS, END OF YEAR	<u>\$ 1,909,886</u>	<u>\$ 463,316</u>	<u>\$ 3,391</u>	<u>\$ 600,925</u>	<u>\$ 2,977,518</u>	<u>\$ 2,843,000</u>

The accompanying notes are an integral part of the financial statements.

BROADMOOR UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

A. Organization:

The Broadmoor United Methodist Church, which is located in Baton Rouge, Louisiana is a member of the Louisiana Conference of the United Methodist Church.

B. Principles of accounting:

The Church prepares its financial statements on the modified cash basis of accounting. Under this basis, revenues are recognized when collected, and expenses are recognized when paid rather than when incurred. In January 2017, the Church processed contribution checks dated in December 2016 as 2016 contributions. Additionally, outreach (missions) expenditures that were made in January with funds received in December are included in the financial statements. Pledge receivables from members and amounts due vendors and suppliers are not included in the financial statements.

Contributions received during the year for the subsequent year's pledge are recognized as temporarily restricted revenues in the year received.

The stock proceeds received reflect the amount of sales prices less commissions. Contributions of stock are generally sold within one week after the stock is received.

Modifications to the cash basis of accounting are as follows:

- (a) Property and equipment are recorded as assets and are depreciated over the useful lives of the assets.
- (b) Investments are recorded at fair market value
- (c) Payroll deductions payable are recorded as liabilities.
- (d) Notes payable, if any, are recorded as liabilities. Payments of principal are applied to the liability.

C. Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires Church management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

BROADMOOR UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

D. Non-operating funds:

Certain contributions received are designated for a specific purpose. These monies are classified as non-operating funds in the financial statements.

The non-operating funds are as follows:

1. Designated and Memorials
2. Minister
3. Investments

The Church has numerous categories on its books to specify the nature of the designated and memorial funds. Many of these individual categories have a similar purpose as the operating fund accounts. An item can often be paid out of designated and memorials funds or the general operating budget.

E. Net assets:

Net asset balances are classified as follows:

Unrestricted net assets:

Unrestricted, undesignated – fund balances that are not subject to donor-imposed stipulations nor have been designated for specific purpose by action of the Board of Trustees.

Unrestricted, designated – fund balances that are not subject to donor-imposed stipulations, but have been designated for specific purpose by action of the Board of Trustees.

Temporarily restricted net assets: Fund balances that are subject to donor-imposed stipulations that may or will be met either by action of the Church and/or the passage of time.

Permanently restricted net assets: Fund balances that are required by donor-imposed stipulations to be maintained permanently by the Church.

BROADMOOR UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

F. Investments:

The church has adopted FASB Accounting Standards Codification (ASC) 958-320 (Not-For-Profit Entities - Investments in Debt and Equity Securities). Under ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of assets, liabilities, and fund balance.

Increases and decreases in investment market value are recognized in the period in which they occur. Realized gains and losses are combined with unrealized gains and losses and are reported as a component of investment income, in accordance with FASB ASC 958.

G. Property and Equipment

Expenditures for the acquisition of property and equipment are capitalized at cost. The Church's capitalization threshold is \$1,000. Depreciation is provided over the following estimated useful lives of the assets, using the straight-line method:

Buildings	40 Years
Equipment	5 - 10 Years
Vehicles	7 Years
Building and Property Improvements	5 - 40 Years
Furniture and Fixtures	5 - 7 Years

H. Pre-School Operations:

The financial statements do not include the operations of the pre-school. However, monies received from the pre-school are reflected in revenues.

I. Income taxes:

The Church is exempt from federal and state income tax under provisions of Section 501(c)(3) of the Internal Revenue Code and is not subject to the filing requirements of Form 990. The Church may be subject to tax to the extent it has taxable unrelated business income. The Church has no unrelated business income and, accordingly, no provision for income taxes has been reflected in the accompanying financial statements. The Church believes it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

BROADMOOR UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Church has non-interest bearing demand deposit cash accounts at two banks.

As of December 31, 2016, the bank balance at one of the two banks exceeded the federally insured amount by \$183,704. The book balance exceeded the federally insured amount at that bank by \$228,423. The Church has not experienced any losses on its cash deposits.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Church's investments are administered by the United Methodist Foundation of Louisiana (UMF). The investments represent the Church's proportionate share of a pool of funds held by UMF for the benefit of the Church and other organizations.

Fair value of financial instruments is determined by UMF using various valuation approaches. FASB ASC 820 (Fair Value Measurements and Disclosures) established a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of UMF. Unobservable inputs reflect the UMF's assumption about the inputs that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the input as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

BROADMOOR UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

NOTE 3 - FAIR VALUE MEASUREMENTS - (CONTINUED)

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Organization in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined by the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Organization's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Organization uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

The following information sets forth by level, within the fair value hierarchy, the Church's investments at fair value as of December 31, 2016:

Level 1	\$594,966
Level 2	-
Level 3	<u>5,959</u>
Total	<u>\$600,925</u>

BROADMOOR UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

NOTE 4 - CAPITAL ASSETS, NET

At December 31, 2016, capital assets, net, consisted of the following:

Buildings	\$ 3,073,657
Buildings and Property Improvements	1,880,383
Land	299,007
Equipment	271,201
Furniture and Fixtures	123,901
Vehicles	<u>104,108</u>
Total Cost	5,752,257
Accumulated Depreciation	<u>3,959,673</u>
Capital Assets, Net	<u>\$ 1,792,584</u>

Acquisitions of capital assets for the year ended December 31, 2016 was \$359,542.

NOTE 5 - LEASE COMMITMENTS

The minimum future rental payments, required by operating leases of various office equipment, have remaining non cancellable lease terms as follows:

YEAR ENDING
DECEMBER 31:

2017	18,138
2018	22,712
2019	20,736
2020	20,736
2021	20,736
2022	<u>15,552</u>
Total	<u>\$ 118,610</u>

The rent expense incurred under operating leases was \$34,670 for the year ended December 31, 2016.

BROADMOOR UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

NOTE 6 - RETIREMENT PLAN

The Church participates in a conference-wide defined contribution retirement plan which covers ministers. The plan provides for the Church to make regular contributions based on salaries of eligible ministers. Retirement benefits are based on amounts credited to individual accounts as determined by the plan. The Church also has a 401K Salary Reduction Plan covering staff employees who qualify as to age and length of service. The Church matched 100% of the employee's contribution up to a maximum of 6% of wages. Total retirement expense was \$64,940 for the year ended December 31, 2016.

NOTE 7 - SUBSEQUENT EVENTS

Management of the Church has evaluated all subsequent events through January 18, 2018, the date the financial statements were available to be issued. No additional disclosures are considered necessary.