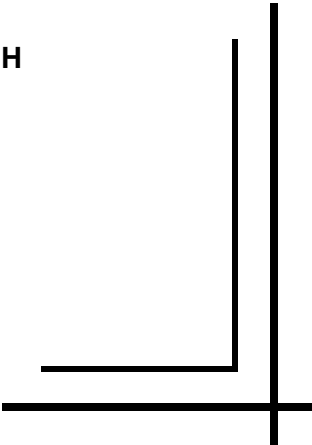




PENNINGTON PARK CHURCH

**FINANCIAL REPORT
(Reviewed)**

March 31, 2020



CONTENTS

	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	3
FINANCIAL STATEMENTS:	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 15

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Pennington Park Church, Inc.
Fishers, Indiana

We have reviewed the accompanying financial statements of Pennington Park Church, Inc. (the "Church"), which comprise the statement of financial position as of March 31, 2020, the related statement of activities, functional expenses and cash flows for the year 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 misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. 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 accordance with accounting principles generally accepted in the United States of America.

Pile CPAs

Indianapolis, Indiana
July 16, 2020

PENNINGTON PARK CHURCH

STATEMENT OF FINANCIAL POSITION

March 31, 2020

See Independent Accountant's Review Report

2020

ASSETS

CURRENT ASSETS

Cash	\$ 234,196
Cash - restricted	1,663
TOTAL CURRENT ASSETS	235,859

PROPERTY AND EQUIPMENT

Equipment	426,088
Land	2,113,048
Construction in progress	7,030,192
	9,569,328
Less accumulated depreciation	426,088
	9,143,240

TOTAL ASSETS **\$ 9,379,099**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 485
Accrued expenses	47,378
Current maturities of long-term debt	94,023
TOTAL CURRENT LIABILITIES	141,886

LONG-TERM DEBT, less current maturities **4,650,408**

NET ASSETS

Without donor restrictions:	
General fund	40,834
Building fund	4,400,472
Board designated funds	143,836
Total net assets without donor restrictions	4,585,142
With donor restrictions:	
Building fund	1,663
Total net assets with donor restrictions	1,663
TOTAL NET ASSETS	4,586,805

TOTAL LIABILITIES AND NET ASSETS **\$ 9,379,099**

See Notes to Financial Statements

PENNINGTON PARK CHURCH

STATEMENT OF ACTIVITIES

Year ended March 31, 2020

See Independent Accountant's Review Report

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUE AND SUPPORT</u>			
Contributions - direct	\$ 2,009,052	\$ -	\$ 2,009,052
Contributions - other	107,119	-	107,119
Net assets released from restrictions	965,237	(965,237)	-
TOTAL REVENUE AND SUPPORT	3,081,408	(965,237)	2,116,171
<u>EXPENSES</u>			
Program expenses:			
Church ministries	672,868	-	672,868
Local outreach	14,862	-	14,862
Global outreach	111,104	-	111,104
Total program expenses	798,834	-	798,834
Supporting expenses:			
Management and general	285,560	-	285,560
Fundraising	13,494	-	13,494
Total supporting expenses	299,054	-	299,054
TOTAL EXPENSES	1,097,888	-	1,097,888
CHANGE IN NET ASSETS	1,983,520	(965,237)	1,018,283
<u>NET ASSETS</u>			
Beginning of year	2,601,622	966,900	3,568,522
End of year	<u>\$ 4,585,142</u>	<u>\$ 1,663</u>	<u>\$ 4,586,805</u>

PENNINGTON PARK CHURCH

STATEMENT OF FUNCTIONAL EXPENSES

Year ended March 31, 2020

	Program Services				Supporting Activities			
	<u>Church Ministries</u>	<u>Local Outreach</u>	<u>Global Outreach</u>	<u>Total Program</u>	<u>Mgmt. and General</u>	<u>Fund- Raising</u>	<u>Total Supporting</u>	<u>Total</u>
Assimilation	\$ 10,674	\$ -	\$ -	\$ 10,674	\$ -	\$ -	\$ -	\$ 10,674
Depreciation	-	-	-	-	5,020	-	5,020	5,020
Facility and facility maintenance	1,799	-	-	1,799	197,515	-	197,515	199,314
Information technology	-	-	-	-	33,658	-	33,658	33,658
Office supplies	-	-	-	-	5,327	-	5,327	5,327
Online giving fees	-	-	-	-	-	13,494	13,494	13,494
Outreach	19,400	14,862	111,104	145,366	-	-	-	145,366
Printing and publications	7,632	-	-	7,632	-	-	-	7,632
Professional services	-	-	-	-	27,262	-	27,262	27,262
Safety and security	-	-	-	-	9,871	-	9,871	9,871
Salaries and benefits	567,054	-	-	567,054	-	-	-	567,054
Utilities	-	-	-	-	6,907	-	6,907	6,907
Worship	66,309	-	-	66,309	-	-	-	66,309
	<u>\$ 672,868</u>	<u>\$ 14,862</u>	<u>\$ 111,104</u>	<u>\$ 798,834</u>	<u>\$ 285,560</u>	<u>\$ 13,494</u>	<u>\$ 299,054</u>	<u>\$ 1,097,888</u>

See Notes to Financial Statements.

PENNINGTON PARK CHURCH

STATEMENT OF CASH FLOWS

Year ended March 31, 2020

2020

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from contributions	\$ 2,116,171
Cash disbursed for programs and general and administrative purposes	- (1,045,005)
Net cash provided by (used in) operating activities	<u>1,071,166</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(6,571,505)
Net cash provided by (used in) investing activities	<u>(6,571,505)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from long-term debt	4,744,431
Net cash provided by (used in) financing activities	<u>4,744,431</u>
Increase (decrease) in cash and cash equivalents	(755,908)

CASH

Beginning of year	<u>991,767</u>
End of year	<u>\$ 235,859</u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Change in net assets	\$ 1,018,283
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation	5,020
Increase (decrease) in:	
Accounts payable	485
Accrued expenses	<u>47,378</u>
Net cash provided by (used in) operating activities	<u>\$ 1,071,166</u>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW
INFORMATION**

Cash payments for interest	<u>\$ 56,745</u>
Purchase of property and equipment financed through long-term debt transactions	<u>\$ 4,744,431</u>

See Notes to Financial Statements.

PENNINGTON PARK CHURCH

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Pennington Park Church (the "Church") was incorporated August 29, 2018 in the state of Indiana as a not-for-profit entity, and is located in Fishers, Indiana. The Church is a nondenominational, Christian fellowship that exists to A. Exalt the Lord Jesus Christ as the Son of God, the Savior of the world, and the Head of His Church; B. Establish a local congregation of believers patterned after the New Testament church and obedient to the teaching of the Scriptures; and C. Build and advance the universal Church of which Christ is the Head. The Church is supported exclusively through donor contributions.

The Church is a multi-ministry outreach with ministry emphasis in the areas of outreach and missions; worship and arts; children and youth programs and activities; small group programs, special events, and other activities; and other pastoral services.

A summary of the Church's significant accounting policies are as follows:

A. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies followed are described below to enhance the usefulness of the statements to the reader.

B. Basis of Presentation

The Church maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources are classified for accounting purposes in accordance with activities or objectives as specified by: regulations, restrictions, limitations imposed by sources outside the institution, or in accordance with directions issued by the governing body.

These financial statements, however, have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with accounting principles generally accepted in the United States of America. This has been done by classification of fund transactions and balances into two categories of net assets:

Net Assets without donor restrictions: These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

PENNINGTON PARK CHURCH

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

B. Basis of Presentation - continued

Net Assets with donor restrictions: These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires. The net assets are reported as restricted until the stipulated time restriction ends or the purpose of the restriction is accomplished.

C. Concentration of Credit Risk

The Church maintains its cash balances with The Farmers Bank. For purposes of the financial statements, cash includes cash on hand, checking accounts, and money market accounts. While the Church's cash balances may at times exceed federally insured limits, it has not experienced any losses in such accounts. The Church believes it is not exposed to any significant credit risk on these accounts.

D. Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair market value at the date of contribution. The Church's capitalization policy is \$5,000 for assets purchased with an estimated useful life of three years or more. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for furniture and equipment range from 3 to 7 years and buildings and improvements range from 15 to 40 years.

Expenditures for property and equipment and for renewals or betterments which extend the originally estimated economic life of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of revenues, expenses, and changes in net assets.

The Church reviews long-lived assets, including property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. If impairment is present, the carrying value of the impaired asset is reduced to its fair value. During the year ended March 31, 2020, there was no impairment loss recognized on long-lived assets.

PENNINGTON PARK CHURCH

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

E. Support, Revenue, Reclassifications, and Expenses

Contributions are reported when made, which is generally when cash is received, unconditional promises are made, or ownership of donated assets is transferred to the Church. Bequests are reported as support at the time the Church has established a right to the bequest and the proceeds are measurable. The Church's ministry could not be fully achieved without the dedicated efforts of many volunteers. These contributed services are not reported as they do not meet the "specialized skills" requirement under current accounting standards. Revenues are reported as income when earned and expenses are reported when incurred.

Reclassifications represent funds released to net assets without donor restrictions from net assets with donor restrictions when expenses have been incurred in satisfaction of those donor restrictions.

F. Concentration of Support Risk

Support for the Church comes primarily from donor contributions from members, concentrated in the central Indiana geographic area.

G. Functional Expenses

Expenses are reported when incurred. In the statement of functional expenses, costs not specifically related to program services are allocated in accordance with management's estimates of program support requirements. Salaries and related expenses are charged to program services based upon estimated time spent by personnel on the related programs. Direct expenses are charged to the various programs. Occupancy expenses are allocated based upon actual utilization of space. The remaining indirect costs are allocated using both statistical and non-statistical methodologies.

H. Tax Status

The Church is exempt from federal and state income taxes on its related activities under Internal Revenue Service Code Section 501(c)(3). Accordingly, no provision for federal and state income taxes has been made.

Under the provisions of Section 501(c)(3) churches are not required to file a federal income tax return (Form 990) so long as the church retains its tax-exempt status and does not conduct any unrelated activities. The Church believes its tax-exempt status is in good standing and has not participated in any unrelated activities.

I. Use of Estimates

The preparation of the Church's financial statements in accordance with accounting principles generally accepted in the United States of America requires the Church to make estimates and assumptions that affect certain reported amounts and disclosures, primarily related to the estimated useful lives of the Church's facilities. Accordingly, actual results could differ from those estimates.

PENNINGTON PARK CHURCH

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

J. Evaluation of Subsequent Events

The Church's management has evaluated subsequent events through July 16, 2020, which is the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Church operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Church, to date, the Church is expecting to experience a decline in revenue and possible significant changes in the fair value of assets or liabilities. The Church's concentrations due to grantors or contributors; concentrated revenue from particular programs, services or fund-raising events; and the market or geographic area in which the Church conducts operations make it reasonably possible that the Church is vulnerable to the risk of a near-term severe impact.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including credit losses on receivables and investments.

PENNINGTON PARK CHURCH

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

NOTE 2 RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 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 has been 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 are presented regarding risk exposure and availability of cash for short term use. Expenses are reported by both their natural and functional classification to aid in the usefulness of financial statements. The Church adopted this standard for the year ending March 31, 2020 and applied it retrospectively.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Church expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contract with customers. The Church adopted this standard for the year ending March 31, 2020. These changes did not have an impact on the financial statements.

NOTE 3 RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and corresponding lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either finance or operating, and this distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the entity for the year ending March 31, 2023. The Church is currently in the process of evaluating the effect of adoption of this ASU on its financial statements.

NOTE 4 LIQUIDITY AND AVAILABILITY

The following reflects the Church's financial assets as of March 31, 2020, 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. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Church considers general expenditures related to its ongoing ministry and outreach activities during the normal course of the year as well as the conduct of services undertaken to support those activities.

PENNINGTON PARK CHURCH

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

NOTE 4 LIQUIDITY AND AVAILABILITY - continued

The table below represents financial assets available for general expenditures within one year at March 31, 2020:

	<u>2020</u>
Financial assets at year-end:	
Cash	\$ 235,859
Total financial assets	<u>235,859</u>
Less amounts not available to be used within one year	
Donor-imposed restrictions	(1,663)
Board-designated restrictions	<u>(143,836)</u>
Financial assets not available to be used within one year	<u>(145,499)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 90,360</u>

The Church is substantially supported by contributions, which at times are received with restrictions. Those contributions with donor restrictions require resources to be used in a particular manner or in a future period. The Church must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year.

The Church manages its liquidity and reserves following three guiding principles: 1.) operating within a prudent range of financial soundness and stability, 2.) maintaining adequate liquid assets to fund near-term operating needs, and 3.) maintaining sufficient reserves to provide reasonable assurance that long-term commitments and obligations will continue to be met.

NOTE 5 EMPLOYEE BENEFIT PLAN

The Church has established a 403(b) plan for all regular full-time employees and part-time employees who regularly work at least twenty hours per week. The Church matches all employee contributions up to 7 percent of an employee's gross salary. Church contributions were \$22,921 for the year ended March 31, 2020.

The Church also provides its full-time employees with the following benefits: group life insurance, group accidental and medical insurance, group long-term care, and employer paid medical insurance premiums. A more complete description of the benefit provisions can be found in the respective plan agreements. Church expenses for these other benefits were \$83,367 for the year ended March 31, 2020.

PENNINGTON PARK CHURCH

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

NOTE 6 LONG-TERM DEBT

The Church has two Letters of Credit with The Farmers Bank with a maximum debt facility of \$237,861 available through February 6, 2021 for bonding related to the construction of the Church. At March 31, 2020, there were no amounts outstanding on the letters of credit.

On March 30, 2020 the Church entered into an agreement with Crossbridge Solutions for two term loans maturing March 1, 2045. Tranche A is a \$1,000,000 loan with monthly payments totaling \$5,455 with an interest rate of 4.35% until November 30, 2024 at which time it adjusts to the 5 year US Treasury Constant Maturities Index plus 2.75%. At March 31, 2020, there was \$1,000,000 outstanding on this note. Tranche B is a max loan of \$4,350,000 loan with monthly payments totaling \$21,057 with an interest rate of 4.65%. At March 31, 2020 the outstanding balance of the note was \$3,744,431. Both notes are secured by the Church building.

The following is a summary of long-term debt as of March 31:

<u>Type</u>	<u>Interest Rate</u>	<u>Schedule of Payments</u>	<u>2020</u>
Term Loan - Tranche A - Crossbridge Solutions, LLC	4.35%	Monthly payments of \$5,455; Due 3/1/45	\$ 1,000,000
Term Loan - Tranche B - Crossbridge Solutions, LLC	4.65%	Monthly payments of \$21,057; Due 3/1/45	3,744,431
			<u>4,744,431</u>
Less current maturities			<u>94,023</u>
			<u>\$ 4,650,408</u>

Long-term debt maturities over the next five years and beyond are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 94,023
2022	107,067
2023	112,080
2024	117,329
2025	122,823
Thereafter	<u>4,191,109</u>
	<u>\$ 4,744,431</u>

PENNINGTON PARK CHURCH

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

NOTE 7 OPERATING LEASES

During the year, the Church entered into month-to-month leases for office space, space to hold church services, as well as vehicle rental. Leases for church service space and vehicle rental ended at fiscal year-end. The Church issued a 60 day notice for intentions to end lease for office space in February 2020. Lease expense under all agreements was \$182,921 for the year ended March 31, 2020.

NOTE 8 NET ASSETS

Net assets consist of the following:

	<u>2020</u>
Without donor restrictions	
Undesignated	\$ 40,834
Board designated for local expenditures	8,756
Board designated for global outreach expenditures	131,003
Board designated for benevolent expenditures	4,077
	<u>143,836</u>
	<u>\$ 184,670</u>
With donor restrictions:	
Purpose restrictions:	
Construction of Church building and land	\$ 1,663
	<u>\$ 1,663</u>

NOTE 9 SUBSEQUENT EVENTS

Subsequent to year-end, the Church applied for and was approved for a \$102,500 loan under the Paycheck Protection Program ("PPP") created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration ("SBA"). The loan accrues interest at 1.00%, but payments are not required to begin for six months after the funding of the loan. The Church is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

Subsequent to year-end, the Church applied for and was approved a \$58,570 letter of credit from The Farmers Bank for bonding required by the City of Fishers for erosion and sediment control, and right-of-way improvement. The letter of credit bears interest at 2.75%, plus one-month LIBOR, and matures on 5/1/2023. The letter is secured by the Church building.