Vineyard Community Church and Affiliates

Consolidated Financial Statements with Accompanying Information
August 31, 2019 and 2018 and
Independent Auditors' Report

VINEYARD COMMUNITY CHURCH AND AFFILIATES
August 31, 2019 and 2018

Contents

BARNES DENNIG
Accounting • Tax • Business Insight

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Independent Auditors' Report

To the Board of Trustees
Vineyard Community Church and Affiliates
Cincinnati, Ohio

We have audited the accompanying financial statements of Vineyard Community Church and Affiliates (Vineyard) (a nonprofit organization) which comprise the consolidated statements of financial position as of August 31, 2019 and 2018, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vineyard as of August 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report
(Continued)

Effect of Adopting New Accounting Standard

As discussed in Note 1, Vineyard Community Church and Affiliates has adopted Financial Accounting Standards Board Accounting Standards 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* which primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Our opinion is not modified with respect to that matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities on pages 17 - 18 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Barnes, Dennig & Co., Ltd.

December 24, 2019
Cincinnati, Ohio

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Consolidated Statements of Financial Position
August 31, 2019 and 2018

	2019	2018
Assets		
Cash	$ 1,846,542	$ 724,558
Grants and contributions receivable, net	142,440	112,579
Investments	702,211	1,099,945
Inventory	102,185	101,819
Prepaid expenses	93,725	31,945
Cash surrender value of life insurance	67,017	65,690
Interest rate swap asset	-	125,523
Property and equipment, net	18,463,362	16,661,066
Total assets	$ 21,417,482	$ 18,923,125
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 149,343	$ 202,579
Accrued expenses	218,842	190,972
Notes payable	8,371,808	6,202,158
Total liabilities	8,739,993	6,595,709
Net Assets		
Without donor restrictions	12,193,904	11,809,438
With donor restrictions	483,585	517,978
Total net assets	12,677,489	12,327,416
Total liabilities and net assets	$ 21,417,482	$ 18,923,125

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Consolidated Statement of Activities
Year Ended August 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support			
Contributions	$ 9,572,493	$ 187,894	$ 9,760,387
Noncash contributions	1,393,536	-	1,393,536
Seminars, retreats, fees and other	231,601	-	231,601
The Café	24,252	-	24,252
Investment return	170,380	-	170,380
Net assets released from restrictions	222,287	(222,287)	-
Total revenue, gains and other support	11,614,549	(34,393)	11,580,156
Expenses			
Programs	9,641,864	-	9,641,864
Administrative	1,357,015	-	1,357,015
Fundraising	181,111	-	181,111
Total expenses	11,179,990	-	11,179,990
Change in net assets, before non-operating activities	434,559	(34,393)	400,166
Non-operating activities			
Change in fair value of interest rate swap liability	(51,420)	-	(51,420)
Change in cash surrender value of life insurance	1,327	-	1,327
Total non-operating activities	(50,093)	-	(50,093)
Change in net assets	384,466	(34,393)	350,073
Net assets, beginning of year	11,809,438	517,978	12,327,416
Net assets, end of year	$ 12,193,904	$ 483,585	$ 12,677,489

See accompanying notes to consolidated financial statements

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Consolidated Statement of Activities
Year Ended August 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support			
Contributions	$ 9,598,194	$ 296,214	$ 9,894,408
Noncash contributions	1,137,174	62,876	1,200,050
Seminars, retreats, fees and other	225,838	-	225,838
The Café	25,301	-	25,301
Investment return	9,138	-	9,138
Net assets released from restrictions	326,151	(326,151)	-
Total revenue, gains and other support	11,321,796	32,939	11,354,735
Expenses			
Programs	9,295,024	-	9,295,024
Administrative	1,241,888	-	1,241,888
Fundraising	188,118	-	188,118
Total expenses	10,725,030	-	10,725,030
Change in net assets, before non-operating activities	596,766	32,939	629,705
Non-operating activities			
Change in fair value of interest rate swap liability	131,515	-	131,515
Change in cash surrender value of life insurance	10,861	-	10,861
Total non-operating activities	142,376	-	142,376
Change in net assets	739,142	32,939	772,081
Net assets, beginning of year	11,070,296	485,039	11,555,335
Net assets, end of year	$ 11,809,438	$ 517,978	$ 12,327,416

See accompanying notes to consolidated financial statements

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Consolidated Statements of Functional Expenses
Years Ended August 31, 2019 and 2018

	2019				2018			
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Salaries and related	$ 4,551,542	$ 778,411	$ 125,445	$ 5,455,398	$ 4,266,954	$ 505,021	$ 120,538	$ 4,892,513
Noncash donations	1,357,479	-	-	1,357,479	1,128,803	-	-	1,128,803
Depreciation	1,145,952	36,237	-	1,182,189	1,152,033	36,723	-	1,188,756
Events	358,705	-	4,269	362,974	483,368	-	33,592	516,960
Rent and utilities	315,306	34,632	-	349,938	324,404	10,497	-	334,901
Interest and fees	246,181	86,911	-	333,092	186,518	7,312	-	193,830
Facilities maintenance	295,478	1,038	-	296,516	316,558	12,439	-	328,997
Production	237,595	10,618	-	248,213	97,853	-	-	97,853
Missions and outreach	210,714	-	-	210,714	315,137	-	-	315,137
Staff development	56,074	92,277	-	148,351	47,794	66,812	105	114,711
First impressions	147,761	-	-	147,761	178,949	-	-	178,949
Professional fees	18,611	123,058	3,962	145,631	13,439	577,056	1,529	592,024
Regional support	136,953	-	-	136,953	267,965	-	-	267,965
Equipment	39,330	83,203	-	122,533	15,162	-	-	15,162
Teaching resources	118,468	-	-	118,468	35,507	-	-	35,507
Volunteer related	109,522	5,890	541	115,953	112,907	-	-	112,907
Printing	79,446	17,326	6,592	103,364	84,610	10,092	6,246	100,948
Insurance	55,455	19,259	-	74,714	54,405	-	-	54,405
Licensing and subscriptions	11,947	46,428	-	58,375	11,290	-	-	11,290
Advertising	38,595	4,488	86	43,169	34,306	-	-	34,306
Fundraising	-	-	37,805	37,805	-	-	23,476	23,476
Office supplies	25,491	9,769	2,411	37,671	33,065	12,518	2,632	48,215
Church development	35,192	-	-	35,192	62,814	-	-	62,814
Ministry supplies	25,329	-	-	25,329	40,503	-	-	40,503
Café	24,738	-	-	24,738	30,680	-	-	30,680
Property taxes	-	7,470	-	7,470	-	3,418	-	3,418
	$ 9,641,864	$ 1,357,015	$ 181,111	$ 11,179,990	$ 9,295,024	$ 1,241,888	$ 188,118	$ 10,725,030

See accompanying notes to consolidated financial statements

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Consolidated Statements of Cash Flows
Years Ended August 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 350,073	$ 772,081
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,182,189	1,188,756
Loss on disposal of property and equipment	-	19,940
Net realized and unrealized (gain) loss on investments	(151,346)	962
Change in fair value of interest rate swap liability	51,419	(131,515)
Change in cash surrender value of life insurance	(1,327)	(10,861)
Changes in:		
Grants and contributions receivable, net	(29,861)	(54,089)
Inventory	(366)	(33,305)
Prepaid expenses	(61,780)	60,757
Accounts payable	(53,236)	(15,798)
Accrued expenses	27,870	(162,921)
Net cash provided by operating activities	1,313,635	1,634,007
Cash flows from investing activities		
Purchase of property and equipment	(2,984,485)	(532,102)
Proceeds from sale of property and equipment	-	250,000
Purchase of investments	(31,958)	(263,164)
Proceeds from sale of investments	581,038	241,884
Net cash used in investing activities	(2,435,405)	(303,382)
Cash flows from financing activities		
Proceeds from issuance of notes payable	2,667,467	-
Principal payments on notes payable and swap termination	(423,713)	(910,018)
Net cash provided by (used in) financing activities	2,243,754	(910,018)
Net change in cash	1,121,984	420,607
Cash, beginning of year	724,558	303,951
Cash, end of year	$ 1,846,542	$ 724,558
Supplemental cash flows information		
Cash paid for interest	$ 253,794	$ 193,830

See accompanying notes to consolidated financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation

The consolidated financial statements include the accounts of Vineyard Community Church and Affiliates. There are four entities collectively referred to in this report as “Vineyard” consisting of: Vineyard Community Church, The Healing Center, Vineyard Ministries, LLC, and the Outward Focused Foundation. All material inter-organizational transactions have been eliminated.

Vineyard Community Church was incorporated as a not-for-profit organization under the laws of the State of Ohio and commenced operations in July 1986. Vineyard operates as a church in the Greater Cincinnati area.

Programs of Vineyard Community Church include weekly worship services, education programs and other Christian ministries. These ministries include Outreach which promotes evangelism and community development and Life Reset which provides support groups and training in areas such as conflict resolution for people in need.

The Healing Center, Inc. was incorporated as a not-for-profit organization under the laws of the State of Ohio and commenced operations in April 1999. The Healing Center provides resources, information, training, assessments and referrals for people in need.

Vineyard Ministries, LLC, a limited liability company whose sole member is Vineyard Community Church, was established under the laws of the State of Ohio in 2007 in order to obtain the land and building associated with the Student Union and Healing Center facilities. There was no activity during 2019 and 2018.

Outward Focused Foundation was incorporated as a not-for-profit organization under the laws of the State of Ohio in July 2010 in order to raise and expend funds in support of the charitable missions of Vineyard Community Church and The Healing Center. There was no activity during 2019 and 2018.

Financial Statement Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Vineyard is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Fair Value Measurements

GAAP has a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management’s best estimate of what market participants would use as fair value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

Vineyard maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. Vineyard has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value are carried and all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value. Investment return includes dividend, interest and other investment income; and realized and unrealized gains and losses on investments carried at fair value.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Inventory

Inventory consists of donated food, clothing, household goods and furniture. Inventory is stated at the lower of cost or market determined by the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are recorded at cost or, if donated or impaired, at fair value at the time of the gift or determination. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. The cost of maintenance and repairs is expensed as incurred, while significant improvements are capitalized.

Under applicable GAAP for property and equipment, Vineyard assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions. Based on its most recent analysis, Vineyard believes no impairments existed at August 31, 2019 and 2018.

Contributions

Vineyard records gifts of cash and other assets at their fair value as of the date of contribution. Such donations are recorded as without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts received with a donor stipulation that limits their use are reported as revenue 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 which are satisfied in the period the gift is received are reported as revenue without donor restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, Vineyard reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue. Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when 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 contributed services. Vineyard pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist Vineyard.

Noncash Donations

Vineyard receives certain donated food, clothing and household items which are recorded at fair market value as contribution revenue in the year received and as an expense in the financial statements in the year given away.

Income Taxes

Vineyard, The Healing Center and Outward Focused Foundation are exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of Ohio state law. However, these organizations are subject to federal income tax on any unrelated business taxable income.

As a religious organization, Vineyard is not required to file annual federal or state information returns. Vineyard believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

The Healing Center’s and Outward Focused Foundation’s IRS Form 990 is subject to review and examination by Federal and state authorities. These organizations believe they have appropriate support for any tax positions taken, and therefore, do not have any uncertain income tax positions that are material to the financial statements.

Reclassifications

Certain 2018 figures have been reclassified to conform to the 2019 presentation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Certain costs have been allocated among the program, administrative and fundraising categories based on the specific identification and other methods. The most significant allocations are salaries and related expenses, which were allocated based upon time spent by Vineyard personnel, and occupancy and depreciation, which were allocated based on utilization.

Use of Estimates

The preparation of 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.

Effect of Adopting New Accounting Standards

In 2019, Vineyard adopted Financial Accounting Services Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provide about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Net asset classifications have been reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two classes (net assets without donor restrictions and net assets with donor restrictions). In addition, updated disclosure requirements are presented regarding risk exposure and availability of cash for short-term use and expenses are reported by both natural and functional classification. Vineyard adopted ASU 2016-14 as of September 1, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented except for disclosing information about liquidity and availability of resources, which is permitted to be omitted for any periods presented before the period of adoption.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 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 organization 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. This standard will be effective for Vineyard’s year ending August 31, 2020.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Standards (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with terms over 12 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 Vineyard's year ending August 31, 2021.

In June 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The standard clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard clarifies how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The standard also requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. This standard will be effective for Vineyard's fiscal year ending August 31, 2020.

Subsequent Event Evaluation

In preparing its financial statements, Vineyard has evaluated events subsequent to the statement of financial position date through December 24, 2019, which is the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of August 31, 2019, comprise the following:

Financial assets:	
Cash	$ 1,846,542
Investments	702,211
Total financial assets	2,548,753
Less donor-restricted net assets	(483,585)
	$ 2,065,168

As part of its liquidity management plan, Vineyard maintains operating cash in business checking accounts, and invests excess cash primarily in money market funds. Vineyard acts conservatively with respect to cash reserves and attempts to maintain between 60 and 90 days of operating expenses in its cash reserves at all times. Additionally, Vineyard plans and budgets to operate with positive cash flow in most years, but occasionally may plan to operate with a negative cash flow if cash reserves are exceeding the determined targets.

NOTE 3 GRANTS AND CONTRIBUTIONS RECEIVABLE

Vineyard receives various grants and other support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of Vineyard are prepared on an accrual basis, all earned portions of the grants not yet received as of August 31, 2019 and 2018, have been recorded as receivables. All receivables are expected to be received within one year of the financial statement date. No reserve for uncollectable amounts has been recorded as of August 31, 2019 and 2018.

NOTE 4 INVESTMENTS AT FAIR VALUE

Investments at fair value as of August 31 consisted of the following:

	2019	2018
Level 2		
Money market funds	$ 702,211	$ 1,099,945

Fair value for money market funds is determined by a third-party utilizing models that use as their basis readily observable market parameters. These assets are categorized as using Level 2 inputs.

NOTE 5 CASH SURRENDER VALUE OF LIFE INSURANCE

Vineyard is the owner and beneficiary of a life insurance policy covering the life of the current senior pastor, with a face value of $2,000,000. Cash surrender values applicable to this policy was $67,017 and $65,690 for the years ended August 31, 2019 and 2018, respectively.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment as of August 31 consisted of the following:

	2019	2018
Buildings and improvements	$ 26,985,313	$ 24,472,880
Furniture and fixtures	5,692,917	5,134,727
Land improvements	820,766	1,593,162
Land	2,228,519	1,441,350
Construction in progress	-	105,000
Less accumulated depreciation	(17,264,153)	(16,086,053)
	$ 18,463,362	$ 16,661,066

NOTE 7 NOTES PAYABLE

Notes payable as of August 31 consisted of the following:

	2019	2018
Note payable (2019 loan), interest accrues at a rate of 3.93%, payable in monthly installments of $37,734, through February 28, 2024, with the remaining principle balance due on March 1, 2024. The note is collateralized by the buildings and personal property.	$ 6,165,017	$ -
Note payable (2019 project loan), interest accrues at a rate of 3.93%, payable in monthly installments of $13,650, through February 28, 2024, with the remaining principle balance due on March 1, 2024. The note is collateralized by the buildings and personal property.	2,266,318	-
Note payable (September 2015 refinance), interest rate varies with the LIBOR rate plus 1.35%, payable in monthly installments ranging from $60,643 to $69,621 plus interest, through July 2020, with the remaining principal balance due in August 2020. The note is collateralized by the buildings and personal property, and has certain debt covenants that must be met. This note was paid in full in 2019.	-	6,202,158
	8,431,335	6,202,158
Less debt issuance cost, net of amortization	(59,527)	-
	$ 8,371,808	$ 6,202,158

During 2019, debt issuance cost of $61,338 was recognized as a reduction to the face amount of the notes payable. Amortization of debit issuance costs of $1,811 has been reported as interest expense during 2019.

Aggregate annual maturities of notes payable at August 31, 2019 are:

2020	269,624
2021	299,495
2022	311,523
2023	324,034
2024	7,226,659
	$ 8,431,335

NOTE 8 INTEREST RATE SWAP ASSET (LIABILITY) AT FAIR VALUE

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, Vineyard entered into various interest rate swap agreements for a portion of its floating rate debt. Interest rate swaps as of August 31 consisted of the following:

Associated Note Payable	Notional Amount	Interest Rate	Maturity Date	Fair Value 2019	Fair Value 2018
Building Mortgage	$ 8,412,944	2.86%	9/15/2020	$ -	$ 125,523

During 2019, the building mortgage payable was refinanced, and the corresponding interest rate swap agreement was terminated. The interest rate swap asset for the building mortgage as of August 31, 2018 represented the settlement obligations which would have been received upon the initially anticipated termination of the swap agreement on September 15, 2020.

Under the aforementioned agreement, Vineyard paid or received the net interest amount monthly, with the monthly settlements included in interest expense. The agreement was recorded at fair value and changes in fair value were included in non-operating activities on the statement of activities. These liabilities are categorized as using Level 2 inputs.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of August 31 are available for the following purposes or periods:

	2019	2018
World missions	$ 339,797	$ 404,205
The Healing Center	137,611	108,640
Other	6,177	5,133
	$ 483,585	$ 517,978

NOTE 10 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors for the years ended August 31, 2019 and 2018 are as follows:

	2019	2018
Short term missions	$ 78,602	$ 98,015
World missions	64,594	100,217
Hispanic ministries	32,859	62,521
The Healing Center	46,232	52,552
Mercyworks - Eastgate	-	12,677
Scholarships and other	-	169
	$ 222,287	$ 326,151

NOTE 11 RETIREMENT PLAN

Vineyard has a 403(b) Church Retirement Plan available to all regular full-time and part-time employees. Voluntary contributions up to the IRS annual limit can be made to the Plan by the employee through a salary deferral arrangement. For full-time employees participating in the plan, Vineyard will match 100% on up to 3% of the employee's annual salary, and 50% on amounts exceeding 3% up to 5% of the employees annual salary. Vineyard made $96,331 and $88,329 in contributions to the plan for the years ended August 31, 2019 and 2018, respectively.

ACCOMPANYING INFORMATION

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Consolidating Statement of Financial Position
August 31, 2019

	Vineyard Community Church	Healing Center	Eliminations	Total
Assets				
Cash and cash equivalents	$ 1,822,257	$ 24,285	$ -	$ 1,846,542
Grants and contributions receivable, net	46,165	124,309	(28,034)	142,440
Investments	702,211	-	-	702,211
Inventory	-	102,185	-	102,185
Prepaid expenses	93,725	-	-	93,725
Cash surrender value of life insurance	67,017	-	-	67,017
Property and equipment, net	18,429,925	33,437	-	18,463,362
Total assets	21,161,300	284,216	(28,034)	21,417,482
Liabilities and Net Assets				
Liabilities				
Accounts payable	130,903	46,474	(28,034)	149,343
Accrued expenses	192,084	26,758	-	218,842
Notes payable	8,371,808	-	-	8,371,808
Total liabilities	8,694,795	73,232	(28,034)	8,739,993
Net Assets				
Without donor restriction	12,120,531	73,373	-	12,193,904
With donor restriction	345,974	137,611	-	483,585
Total net assets	12,466,505	210,984	-	12,677,489
Total liabilities and net assets	$ 21,161,300	$ 284,216	$ (28,034)	$ 21,417,482

See independent auditors’ report

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Consolidating Statement of Activities
Year Ended August 31, 2019

	Vineyard Community Church			Healing Center				Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support										
Contributions	$ 9,483,503	$ 112,691	$ 9,596,194	$ 624,190	$ 75,203	$ 699,393	$ (535,200)	$ 9,572,493	$ 187,894	$ 9,760,387
In-kind contributions - related party	-	-	-	447,433	-	447,433	(447,433)	-	-	-
Noncash contributions	1,500	-	1,500	1,392,036	-	1,392,036	-	1,393,536	-	1,393,536
Seminars, retreats, fees and other	660,289	-	660,289	18,745	-	18,745	(447,433)	231,601	-	231,601
The Café	24,252	-	24,252	-	-	-	-	24,252	-	24,252
Investment return	170,380	-	170,380	-	-	-	-	170,380	-	170,380
Net assets released from restrictions	176,055	(176,055)	-	46,232	(46,232)	-	-	222,287	(222,287)	-
Total revenue, gains and other support	10,515,979	(63,364)	10,452,615	2,528,636	28,971	2,557,607	(1,430,066)	11,614,549	(34,393)	11,580,156
Expenses										
Program	8,491,088	-	8,491,088	2,363,734	-	2,363,734	(1,212,958)	9,641,864	-	9,641,864
Administrative	1,355,914	-	1,355,914	218,209	-	218,209	(217,108)	1,357,015	-	1,357,015
Fundraising	163,479	-	163,479	17,632	-	17,632	-	181,111	-	181,111
Total expenses	10,010,481	-	10,010,481	2,599,575	-	2,599,575	(1,430,066)	11,179,990	-	11,179,990
Change in net assets, before non-operating activities	505,498	(63,364)	442,134	(70,939)	28,971	(41,968)	-	434,559	(34,393)	400,166
Non-operating activities										
Change in fair value of interest rate swap liability	(51,420)	-	(51,420)	-	-	-	-	(51,420)	-	(51,420)
Change in cash surrender value of life insurance	1,327	-	1,327	-	-	-	-	1,327	-	1,327
Total non-operating activities	(50,093)	-	(50,093)	-	-	-	-	(50,093)	-	(50,093)
Change in net assets	455,405	(63,364)	392,041	(70,939)	28,971	(41,968)	-	384,466	(34,393)	350,073
Net assets, beginning of year	11,665,126	409,338	12,074,464	144,312	108,640	252,952	-	11,809,438	517,978	12,327,416
Net assets, end of year	$ 12,120,531	$ 345,974	$ 12,466,505	$ 73,373	$ 137,611	$ 210,984	$ -	$ 12,193,904	$ 483,585	$ 12,677,489

See independent auditors' report