Vineyard Community Church and Affiliates

Consolidated Financial Statements with Accompanying Information
August 31, 2020 and 2019 and
Independent Auditors' Report

VINEYARD COMMUNITY CHURCH AND AFFILIATES
August 31, 2020 and 2019

Contents

	Page(s)
Independent Auditors' Report	1 – 2
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 – 5
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 – 16
Accompanying Information:	
Consolidating Statement of Financial Position	17
Consolidating Statement of Activities	18

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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, 2020 and 2019, 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, 2020 and 2019, 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)

Accompanying Information

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 22, 2020
Cincinnati, Ohio

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Consolidated Statements of Financial Position
August 31, 2020 and 2019

	2020	2019
Assets		
Cash	$ 3,449,690	$ 1,846,542
Grants and contributions receivable, net	154,563	142,440
Investments	1,558,369	702,211
Inventory	206,419	102,185
Prepaid expenses	130,793	93,725
Cash surrender value of life insurance	77,852	67,017
Property and equipment, net	17,715,350	18,463,362
Total assets	$ 23,293,036	$ 21,417,482
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 233,994	$ 149,343
Accrued expenses	326,610	218,842
Paycheck Protection Program (PPP) loan	898,062	-
Notes payable	8,103,983	8,371,808
Total liabilities	9,562,649	8,739,993
Net Assets		
Without donor restrictions	13,293,914	12,193,904
With donor restrictions	436,473	483,585
Total net assets	13,730,387	12,677,489
Total liabilities and net assets	$ 23,293,036	$ 21,417,482

See accompanying notes to consolidated financial statements

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Consolidated Statement of Activities
Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support			
Contributions	$ 9,364,986	$ 266,732	$ 9,631,718
Noncash contributions	1,636,440	-	1,636,440
Seminars, retreats, fees and other	41,054	-	41,054
The Café	12,443	-	12,443
Investment return	32,488	-	32,488
Net assets released from restrictions	313,844	(313,844)	-
Total revenue, gains and other support	11,401,255	(47,112)	11,354,143
Expenses			
Programs	8,834,300	-	8,834,300
Administrative	1,298,716	-	1,298,716
Fundraising	179,064	-	179,064
Total expenses	10,312,080	-	10,312,080
Change in net assets, before non-operating activities	1,089,175	(47,112)	1,042,063
Non-operating activities			
Change in cash surrender value of life insurance	10,835	-	10,835
Change in net assets	1,100,010	(47,112)	1,052,898
Net assets, beginning of year	12,193,904	483,585	12,677,489
Net assets, end of year	$ 13,293,914	$ 436,473	$ 13,730,387

See accompanying notes to consolidated financial statements

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 Statements of Functional Expenses
Years Ended August 31, 2020 and 2019

	2020				2019			
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Salaries and related	$ 4,129,781	$ 812,712	$ 120,121	$ 5,062,614	$ 4,551,542	$ 778,411	$ 125,445	$ 5,455,398
Noncash donations	1,503,586	-	-	1,503,586	1,357,479	-	-	1,357,479
Depreciation	1,264,921	39,764	-	1,304,685	1,145,952	36,237	-	1,182,189
Events	265,491	-	239	265,730	358,705	-	4,269	362,974
Rent and utilities	265,889	11,540	-	277,429	315,306	34,632	-	349,938
Interest and fees	323,955	10,019	-	333,974	246,181	86,911	-	333,092
Facilities maintenance	260,664	7,533	-	268,197	295,478	1,038	-	296,516
Production	160,523	-	-	160,523	237,595	10,618	-	248,213
Missions and outreach	125,229	-	-	125,229	210,714	-	-	210,714
Staff development	11,624	22,215	-	33,839	56,074	92,277	-	148,351
First impressions	41,333	-	-	41,333	147,761	-	-	147,761
Professional fees	87,421	259,722	5,525	352,668	18,611	123,058	3,962	145,631
Regional support	60,000	-	-	60,000	136,953	-	-	136,953
Equipment	12,045	27,233	-	39,278	39,330	83,203	-	122,533
Teaching resources	38,112	-	-	38,112	118,468	-	-	118,468
Volunteer related	71,636	-	-	71,636	109,522	5,890	541	115,953
Printing	65,499	11,039	6,768	83,306	79,446	17,326	6,592	103,364
Insurance	56,209	16,508	-	72,717	55,455	19,259	-	74,714
Licensing and subscriptions	6,486	61,573	-	68,059	11,947	46,428	-	58,375
Advertising	17,820	3,376	6,519	27,715	38,595	4,488	86	43,169
Fundraising	-	-	38,400	38,400	-	-	37,805	37,805
Office supplies	34,620	7,752	1,492	43,864	25,491	9,769	2,411	37,671
Relationship development	23,412	471	-	23,883	35,192	-	-	35,192
Ministry supplies	8,044	-	-	8,044	25,329	-	-	25,329
Café	-	-	-	-	24,738	-	-	24,738
Property taxes	-	7,259	-	7,259	-	7,470	-	7,470
	$ 8,834,300	$ 1,298,716	$ 179,064	$ 10,312,080	$ 9,641,864	$ 1,357,015	$ 181,111	$ 11,179,990

See accompanying notes to consolidated financial statements

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Consolidated Statements of Cash Flows
Years Ended August 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	$ 1,052,898	$ 350,073
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,304,685	1,182,189
Net realized and unrealized (gain) loss on investments	(23,359)	(151,346)
Change in fair value of interest rate swap liability	-	51,420
Change in cash surrender value of life insurance	(10,835)	(1,327)
Changes in:		
Grants and contributions receivable, net	(12,123)	(29,861)
Inventory	(104,234)	(366)
Prepaid expenses	(37,068)	(61,780)
Accounts payable	84,651	(53,236)
Accrued expenses	107,768	27,870
Net cash provided by operating activities	2,362,383	1,313,636
Cash flows from investing activities		
Purchase of property and equipment	(556,673)	(2,984,485)
Purchase of investments	(832,799)	(31,958)
Proceeds from sale of investments	-	581,038
Net cash used in investing activities	(1,389,472)	(2,435,405)
Cash flows from financing activities		
Proceeds from Paycheck Protection Program (PPP) loan	898,062	-
Proceeds from issuance of notes payable	-	2,667,467
Principal payments on notes payable and swap termination	(267,825)	(423,714)
Net cash provided by financing activities	630,237	2,243,753
Net change in cash	1,603,148	1,121,984
Cash, beginning of year	1,846,542	724,558
Cash, end of year	$ 3,449,690	$ 1,846,542
Supplemental cash flows information		
Cash paid for interest	$ 333,974	$ 333,092

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 2020 and 2019.

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 2020 and 2019.

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, 2020 and 2019.

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.

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 Standard

During 2020, Vineyard adopted the Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers* (“Topic 606”). The standards 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 which comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contract with customers. As Vineyard’s earned revenue is immaterial to these financial statements, the adoption of this standard has not had a material impact on the presentation of these financial statements or disclosures.

During 2020, the Vineyard adopted the Financial Accounting Standards Board (FASB) ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The standard clarified and improved previous guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard clarified how an entity determined 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 required 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. The adoption of this ASU did not have a significant impact.

Recently Issued Accounting Standards

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, 2023. Vineyard is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Event Evaluation

In preparing its financial statements, Vineyard has evaluated events subsequent to the statement of financial position date through December 22, 2020, 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 comprise the following:

	2020	2019
Financial assets:		
Cash	$ 3,449,690	$ 1,846,542
Investments	1,558,369	702,211
Total financial assets	5,008,059	2,548,753
Less donor-restricted net assets	(436,473)	(483,585)
	$ 4,571,586	$ 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, 2020 and 2019, 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, 2020 and 2019.

NOTE 4 INVESTMENTS AT FAIR VALUE

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

	2020	2019
Level 2		
Money market funds	$ 1,558,369	$ 702,211

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 $77,852 and $67,017 for the years ended August 31, 2020 and 2019, respectively.

NOTE 6 PROPERTY AND EQUIPMENT

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

	2020	2019
Buildings and improvements	$ 27,282,457	$ 26,985,313
Furniture and fixtures	5,942,622	5,692,917
Land improvements	820,766	820,766
Land	2,228,519	2,228,519
Less accumulated depreciation	(18,559,014)	(17,264,153)
	$ 17,715,350	$ 18,463,362

NOTE 7 NOTES PAYABLE

Notes payable as of August 31 consisted of the following:

	2020	2019
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.	$ 5,956,062	$ 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.	2,204,352	2,266,318
	8,160,414	8,431,335
Less debt issuance cost, net of amortization	(56,431)	(59,527)
	$ 8,103,983	$ 8,371,808

Debt issuance costs of $61,338 was recognized for both years ended August 31, 2020 and 2019 as a reduction to the face amount of the notes payable. Amortization of debt issuance costs of $4,907 and $1,811 was reported as interest expense during 2020 and 2019, respectively.

NOTE 7 NOTES PAYABLE (CONTINUED)

Aggregate annual maturities of notes payable at August 31, 2020 are:

2021	616,608
2022	616,608
2023	616,608
2024	6,310,590
	$ 8,160,414

NOTE 8 PAYCHECK PROTECTION PROGRAM LOAN

On May 1, 2020, Vineyard qualified for and received a loan pursuant to the Paycheck Protection Program (the “Program”), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security’s Act, from a qualified lender (the “PPP Lender”), for an aggregate principal amount of $898,062 (the “PPP Loan”). The PPP Loan bears interest at a fixed rate of 1.00% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Program upon Vineyard’s request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by Vineyard. Vineyard intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, Vineyard will be required to pay interest on the PPP Loan at a rate of 1.00% per annum, and commencing in December 2020 principal and interest payments will be required through the maturity date in May 2022. In the case that all the PPP Loan is not forgiven, future minimum annual maturities will be $336,773 in 2021 and $561,289 in 2022. Future annual maturities are subject to change if part of all of the PPP Loan is forgiven. The terms of the PPP Loan provide the customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default. The outstanding balance for this long-term debt was $898,062 as of August 31, 2020.

NOTE 9 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. During 2019, the building mortgage payable was refinanced, and the corresponding interest rate swap agreement was terminated.

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
World missions	$ 276,702	$ 339,797
The Healing Center	122,796	137,611
Auditorium sound upgrade	30,798	-
Other	6,177	6,177
	$ 436,473	$ 483,585

NOTE 11 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 are as follows:

	2020	2019
Auditorium sound upgrade	$ 169,745	$ -
World missions	63,195	64,594
The Healing Center store remodel	36,161	-
The Healing Center	31,982	46,232
Short term missions	12,761	78,602
Hispanic ministries	-	32,859
	$ 313,844	$ 222,287

NOTE 12 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 $80,104 and $96,331 in contributions to the plan for the years ended August 31, 2020 and 2019, respectively.

NOTE 13 COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restricted measures have had a significant adverse impact upon many sectors of the economy. Consequently, there was disruption in Vineyard's programs and operations in 2020.

NOTE 13 COVID-19 PANDEMIC (CONTINUED)

COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on Vineyard's business and financial results will depend on future developments, including the duration and spread of the outbreak within the market in which Vineyard operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

ACCOMPANYING INFORMATION

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Consolidating Statement of Financial Position
August 31, 2020

	Vineyard Community Church	Healing Center	Eliminations	Total
Assets				
Cash and cash equivalents	$ 3,359,937	$ 89,753	$ -	$ 3,449,690
Grants and contributions receivable, net	56,058	112,929	(14,424)	154,563
Investments	1,558,369	-	-	1,558,369
Inventory	-	206,419	-	206,419
Prepaid expenses	130,793	-	-	130,793
Cash surrender value of life insurance	77,852	-	-	77,852
Property and equipment, net	17,643,272	72,078	-	17,715,350
Total assets	$ 22,826,281	$ 481,179	$ (14,424)	$ 23,293,036
Liabilities and Net Assets				
Liabilities				
Accounts payable	$ 226,671	$ 21,747	$ (14,424)	$ 233,994
Accrued expenses	294,865	31,745	-	326,610
Paycheck Protection Program (PPP) loan	898,062	-	-	898,062
Notes payable	8,103,983	-	-	8,103,983
Total liabilities	9,523,581	53,492	(14,424)	9,562,649
Net Assets				
Without donor restriction	12,989,023	304,891	-	13,293,914
With donor restriction	313,677	122,796	-	436,473
Total net assets	13,302,700	427,687	-	13,730,387
Total liabilities and net assets	$ 22,826,281	$ 481,179	$ (14,424)	$ 23,293,036

See independent auditors' report

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Consolidating Statement of Activities
Year Ended August 31, 2020

	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	$ 9,203,251	$ 249,565	$ 9,452,816	809,735	$ 17,167	$ 826,902	$ (648,000)	$ 9,364,986	$ 266,732	$ 9,631,718
In-kind contributions - related party	-	-	-	438,099	-	438,099	(438,099)	-	-	-
Noncash contributions	-	-	-	1,636,440	-	1,636,440	-	1,636,440	-	1,636,440
Seminars, retreats, fees and other	472,859	-	472,859	15,237	-	15,237	(447,042)	41,054	-	41,054
The Café	12,443	-	12,443	-	-	-	-	12,443	-	12,443
Investment return	32,488	-	32,488	-	-	-	-	32,488	-	32,488
Net assets released from restrictions	281,862	(281,862)	-	31,982	(31,982)	-	-	313,844	(313,844)	-
Total revenue, gains and other support	10,002,903	(32,297)	9,970,606	2,931,493	(14,815)	2,916,678	(1,533,141)	11,401,255	(47,112)	11,354,143
Expenses										
Program	7,685,920	-	7,685,920	2,467,345	-	2,467,345	(1,318,965)	8,834,300	-	8,834,300
Administrative	1,297,826	-	1,297,826	215,066	-	215,066	(214,176)	1,298,716	-	1,298,716
Fundraising	161,500	-	161,500	17,564	-	17,564	-	179,064	-	179,064
Total expenses	9,145,246	-	9,145,246	2,699,975	-	2,699,975	(1,533,141)	10,312,080	-	10,312,080
Change in net assets, before non-operating activities	857,657	(32,297)	825,360	231,518	(14,815)	216,703	-	1,089,175	(47,112)	1,042,063
Non-operating activities										
Change in cash surrender value of life insurance	10,835	-	10,835	-	-	-	-	10,835	-	10,835
Change in net assets	868,492	(32,297)	836,195	231,518	(14,815)	216,703	-	1,100,010	(47,112)	1,052,898
Net assets, beginning of year	12,120,531	345,974	12,466,505	73,373	137,611	210,984	-	12,193,904	483,585	12,677,489
Net assets, end of year	$ 12,989,023	$ 313,677	$ 13,302,700	$ 304,891	$ 122,796	$ 427,687	$ -	$ 13,293,914	$ 436,473	$ 13,730,387

See independent auditors' report