

Vineyard Community Church and Affiliates

**Consolidated Financial Statements with
Accompanying Information
August 31, 2022 and 2021 and
Independent Auditors' Report**

VINEYARD COMMUNITY CHURCH AND AFFILIATES
August 31, 2022 and 2021

Contents

| | <u>Page(s)</u> |
|--|-----------------------|
| 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 |

Independent Auditors' Report

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

Opinion

We have audited the accompanying consolidated financial statements of Vineyard Community Church and Affiliates (a nonprofit organization) which comprise the consolidated statements of financial position as of August 31, 2022 and 2021, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vineyard Community Church and Affiliates as of August 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Vineyard Community Church and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Vineyard Community Church and Affiliates' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

**Independent Auditor's Report
(Continued)**

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Vineyard Community Church and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Vineyard Community Church and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying 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 16, 2022
Cincinnati, Ohio

VINEYARD COMMUNITY CHURCH AND AFFILIATES

**Consolidated Statements of Financial Position
August 31, 2022 and 2021**

| | 2022 | 2021 |
|---|---------------|---------------|
| Assets | | |
| Cash | \$ 3,702,172 | \$ 4,245,916 |
| Grants and contributions receivable, net | 215,735 | 136,071 |
| Investments | 3,428,764 | 2,504,790 |
| Inventory | 62,819 | 111,941 |
| Prepaid expenses | 34,511 | 73,245 |
| Property and equipment, net | 16,243,994 | 16,680,713 |
| Total assets | \$ 23,687,995 | \$ 23,752,676 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 369,681 | \$ 246,931 |
| Accrued expenses | 276,424 | 236,739 |
| Notes payable, net | 6,994,392 | 7,781,964 |
| Total liabilities | 7,640,497 | 8,265,634 |
| Net Assets | | |
| Without donor restrictions | | |
| Undesignated | 6,165,613 | 5,599,981 |
| Invested in property and equipment, net of related debt | 9,249,602 | 8,898,749 |
| Board designated | 442,104 | 613,108 |
| Total without donor restrictions | 15,857,319 | 15,111,838 |
| With donor restrictions | 190,179 | 375,204 |
| Total net assets | 16,047,498 | 15,487,042 |
| Total liabilities and net assets | \$ 23,687,995 | \$ 23,752,676 |

See accompanying notes to consolidated financial statements

VINEYARD COMMUNITY CHURCH AND AFFILIATES

**Consolidated Statement of Activities
Year Ended August 31, 2022**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|---------------|
| Revenue, gains and other support | | | |
| Contributions | \$ 8,932,278 | \$ 103,221 | \$ 9,035,499 |
| Noncash contributions | 1,868,561 | - | 1,868,561 |
| Grants | 153,381 | 75,000 | 228,381 |
| Seminars, retreats, fees and other | 88,471 | - | 88,471 |
| The Café | 13,792 | - | 13,792 |
| Investment return | 19,315 | - | 19,315 |
| Net assets released from restrictions | 363,246 | (363,246) | - |
| | 11,439,044 | (185,025) | 11,254,019 |
| Expenses | | | |
| Programs | 9,293,131 | - | 9,293,131 |
| Administrative | 1,290,706 | - | 1,290,706 |
| Fundraising | 109,726 | - | 109,726 |
| | 10,693,563 | - | 10,693,563 |
| Change in net assets | 745,481 | (185,025) | 560,456 |
| Net assets, beginning of year | 15,111,838 | 375,204 | 15,487,042 |
| Net assets, end of year | \$ 15,857,319 | \$ 190,179 | \$ 16,047,498 |

See accompanying notes to consolidated financial statements

VINEYARD COMMUNITY CHURCH AND AFFILIATES

**Consolidated Statement of Activities
Year Ended August 31, 2021**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|----------------------|
| Revenue, gains and other support | | | |
| Contributions | \$ 8,572,874 | \$ 113,983 | \$ 8,686,857 |
| Noncash contributions | 1,557,234 | - | 1,557,234 |
| Seminars, retreats, fees and other | 120,942 | - | 120,942 |
| The Café | 400 | - | 400 |
| Investment return | 28,703 | - | 28,703 |
| Forgiveness of PPP loan | 898,062 | - | 898,062 |
| Net assets released from restrictions | 175,252 | (175,252) | - |
| | <u>11,353,467</u> | <u>(61,269)</u> | <u>11,292,198</u> |
| Total revenue, gains and other support | | | |
| Expenses | | | |
| Programs | 8,255,039 | - | 8,255,039 |
| Administrative | 1,178,884 | - | 1,178,884 |
| Fundraising | 116,792 | - | 116,792 |
| | <u>9,550,715</u> | <u>-</u> | <u>9,550,715</u> |
| Total expenses | | | |
| Change in net assets, before non-operating activities | <u>1,802,752</u> | <u>(61,269)</u> | <u>1,741,483</u> |
| Non-operating activities | | | |
| Change in cash surrender value of life insurance | 15,172 | - | 15,172 |
| | <u>1,817,924</u> | <u>(61,269)</u> | <u>1,756,655</u> |
| Change in net assets | | | |
| Net assets, beginning of year | <u>13,293,914</u> | <u>436,473</u> | <u>13,730,387</u> |
| Net assets, end of year | <u>\$ 15,111,838</u> | <u>\$ 375,204</u> | <u>\$ 15,487,042</u> |

See accompanying notes to consolidated financial statements

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Consolidated Statements of Functional Expenses Years Ended August 31, 2022 and 2021

| | 2022 | | | 2021 | | | | |
|-------------------------------------|---------------------|---------------------|-------------------|----------------------|---------------------|---------------------|-------------------|---------------------|
| | Program | Administrative | Fundraising | Total | Program | Administrative | Fundraising | Total |
| Salaries and related | \$ 3,610,674 | \$ 808,088 | \$ 42,006 | \$ 4,460,768 | \$ 3,533,111 | \$ 715,345 | \$ 64,277 | \$ 4,312,733 |
| Noncash donations | 1,903,447 | - | - | 1,903,447 | 1,620,857 | - | - | 1,620,857 |
| Depreciation and amortization | 1,251,831 | 41,170 | - | 1,293,001 | 1,242,007 | 43,653 | - | 1,285,660 |
| Professional fees | 46,168 | 289,531 | 210 | 335,909 | 41,652 | 300,898 | - | 342,550 |
| Facilities maintenance | 325,704 | 8,627 | - | 334,331 | 233,114 | (11,413) | - | 221,701 |
| Generosity | 313,557 | - | - | 313,557 | - | - | - | - |
| Interest | 294,605 | 9,111 | - | 303,716 | 319,438 | 9,880 | - | 329,318 |
| Rent and utilities | 259,225 | 11,103 | - | 270,328 | 249,184 | 11,192 | - | 260,376 |
| Regional support | 243,761 | - | - | 243,761 | 156,850 | - | - | 156,850 |
| Missions and outreach | 254,663 | - | - | 254,663 | 137,831 | - | - | 137,831 |
| Events | 232,392 | 67 | 119 | 232,578 | 196,029 | 14 | - | 196,043 |
| Production | 123,982 | 46 | - | 124,028 | 187,166 | - | - | 187,166 |
| Relationship development | 82,573 | 432 | 19 | 83,024 | 29,266 | 43 | 104 | 29,413 |
| Insurance | 60,264 | 18,630 | - | 78,894 | 59,958 | 16,133 | - | 76,091 |
| Fundraising | 1,276 | - | 66,110 | 67,386 | 675 | - | 46,588 | 47,263 |
| Equipment | 7,119 | 59,172 | - | 66,291 | 43,465 | 38,167 | - | 81,632 |
| Staff development | 34,932 | 27,562 | - | 62,494 | 21,688 | 18,303 | - | 39,991 |
| Volunteer recruiting and management | 51,836 | 701 | - | 52,537 | 42,768 | 135 | - | 42,903 |
| Advertising | 39,751 | 3,124 | - | 42,875 | 37,089 | 3,315 | 438 | 40,842 |
| Teaching resources | 42,111 | - | - | 42,111 | 20,130 | - | - | 20,130 |
| Hospitality | 38,302 | - | - | 38,302 | - | - | - | - |
| Office supplies | 34,774 | (1,927) | 909 | 33,756 | 26,597 | 8,501 | 1,776 | 36,874 |
| Printing | 19,114 | 8,214 | 353 | 27,681 | 29,774 | 17,963 | 3,609 | 51,346 |
| Ministry supplies | 21,070 | - | - | 21,070 | 8,385 | - | - | 8,385 |
| Property taxes | - | 7,055 | - | 7,055 | - | 6,754 | - | 6,754 |
| First impressions | - | - | - | - | 17,495 | 1 | - | 17,496 |
| Licensing and subscriptions | - | - | - | - | 510 | - | - | 510 |
| | <u>\$ 9,293,131</u> | <u>\$ 1,290,706</u> | <u>\$ 109,726</u> | <u>\$ 10,693,563</u> | <u>\$ 8,255,039</u> | <u>\$ 1,178,884</u> | <u>\$ 116,792</u> | <u>\$ 9,550,715</u> |

See accompanying notes to consolidated financial statements

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Consolidated Statements of Cash Flows Years Ended August 31, 2022 and 2021

| | 2022 | 2021 |
|--|--------------|--------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 560,456 | \$ 1,756,655 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation and amortization | 1,293,001 | 1,285,660 |
| Net realized and unrealized gains on investments | (5,383) | (25,259) |
| Forgiveness of PPP loan | - | (898,062) |
| Change in cash surrender value of life insurance | - | 77,852 |
| Changes in: | | |
| Grants and contributions receivable, net | (79,664) | 18,492 |
| Inventory | 49,122 | 94,478 |
| Prepaid expenses | 38,734 | 57,548 |
| Accounts payable | 122,750 | 12,937 |
| Accrued expenses | 39,685 | (89,871) |
| | 2,018,701 | 2,290,430 |
| Net cash provided by operating activities | | |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (851,571) | (243,888) |
| Purchase of investments | (918,591) | (921,162) |
| | (1,770,162) | (1,165,050) |
| Net cash used in investing activities | | |
| Cash flows from financing activities | | |
| Payment of debt issuance costs | - | (32,310) |
| Principal payments on notes payable | (792,283) | (296,844) |
| | (792,283) | (329,154) |
| Net cash used in financing activities | | |
| Net change in cash | (543,744) | 796,226 |
| Cash, beginning of year | 4,245,916 | 3,449,690 |
| Cash, end of year | \$ 3,702,172 | \$ 4,245,916 |
| Supplemental cash flows information | | |
| Cash paid for interest | \$ 303,716 | \$ 329,318 |

See accompanying notes to consolidated financial statements

VINEYARD COMMUNITY CHURCH AND AFFILIATES

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 August 31, 2022 and 2021.

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 August 31, 2022 and 2021.

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.

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Notes to Consolidated Financial Statements (Continued)

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 consolidated 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, 2022 and 2021.

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 consolidated 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.

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Notes to Consolidated Financial Statements (Continued)

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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Notes to Consolidated Financial Statements (Continued)

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 consolidated 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 consolidated 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 consolidated 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

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. This new standard, as amended, is to be applied retrospectively. Vineyard adopted the standard on September 1, 2021. The standard did not have a material impact on the consolidated financial statements. Vineyard has updated disclosures as necessary (see Note 11).

Recently Issued Accounting Standard

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 consolidated 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 consolidated statement of activities. This standard will be effective for Vineyard's fiscal year ending August 31, 2023.

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

Subsequent Event Evaluation

In preparing its consolidated financial statements, Vineyard has evaluated events subsequent to the consolidated statement of financial position date through December 16, 2022, which is the date the consolidated financial statements were available to be issued.

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Notes to Consolidated Financial Statements (Continued)

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:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Financial assets: | | |
| Cash | \$ 3,702,172 | \$ 4,245,916 |
| Grants and contributions receivable | 215,735 | 136,071 |
| Investments | <u>3,428,764</u> | <u>2,504,790</u> |
| Total financial assets | 7,346,671 | 6,886,777 |
| Less those unavailable for general expenditures: | | |
| Board designated net assets | (442,104) | (613,108) |
| Donor-restricted net assets | <u>(190,179)</u> | <u>(375,204)</u> |
| | <u>\$ 6,714,388</u> | <u>\$ 5,898,465</u> |

As part of its liquidity management plan, Vineyard maintains operating cash in business checking accounts, and invests excess cash primarily in fixed income mutual funds, U.S. Treasury securities and 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. 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. Additionally, the Board of Elders designates a portion of its resources without donor restrictions for use on activities the Board agrees are strategic to the ministry of Vineyard and for outreach activities to foster a better connection with the larger church community in the Cincinnati area. Therefore, these are reduced from the financial assets available for general expenditures.

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 consolidated financial statements of Vineyard are prepared on an accrual basis, all earned portions of the grants not yet received as of August 31, 2022 and 2021, have been recorded as receivables. All receivables are expected to be received within one year of the consolidated financial statement date. No reserve for uncollectable amounts has been recorded as of August 31, 2022 and 2021.

VINEYARD COMMUNITY CHURCH AND AFFILIATES

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 4 INVESTMENTS AT FAIR VALUE

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

| | 2022 | 2021 |
|---------------------------|---------------------|---------------------|
| Level 1 | | |
| Fixed income mutual funds | \$ 1,588,570 | \$ 1,601,343 |
| Equities | 22,760 | - |
| Level 2 | | |
| U.S. Treasury securities | 994,010 | |
| Money market funds | 823,424 | 903,447 |
| | \$ 3,428,764 | \$ 2,504,790 |

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include fixed income mutual funds. If quoted market prices are not available, then fair values are estimated using pricing models or quoted prices of securities with similar characteristics. Level 2 securities include U.S. Treasury securities and money market funds.

NOTE 5 CASH SURRENDER VALUE OF LIFE INSURANCE

Vineyard was the owner and beneficiary of a life insurance policy covering the life of the former senior pastor, with a face value of \$2,000,000. During April 2021, the policy was cancelled and the cash surrender value was returned to Vineyard.

NOTE 6 PROPERTY AND EQUIPMENT

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

| | 2022 | 2021 |
|-------------------------------|----------------------|----------------------|
| Buildings and improvements | \$ 27,473,405 | \$ 27,392,092 |
| Equipment | 4,918,223 | 4,258,169 |
| Furniture and fixtures | 1,611,273 | 1,611,273 |
| Land improvements | 1,764,265 | 1,607,935 |
| Land | 1,441,350 | 1,441,350 |
| Vehicles | 139,509 | 139,509 |
| Construction in progress | - | 46,123 |
| Less accumulated depreciation | (21,104,031) | (19,815,738) |
| | \$ 16,243,994 | \$ 16,680,713 |

VINEYARD COMMUNITY CHURCH AND AFFILIATES

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 7 NOTES PAYABLE

Notes payable as of August 31 consisted of the following:

| | 2022 | 2021 |
|--|---------------------|---------------------|
| 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. | \$ 5,405,956 | \$ 5,736,590 |
| 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. | 1,665,331 | 2,126,980 |
| | 7,071,287 | 7,863,570 |
| Less debt issuance cost, net of amortization | (76,895) | (81,606) |
| | \$ 6,994,392 | \$ 7,781,964 |

Debt issuance costs of \$93,648 was recognized for both years ended August 31, 2022 and 2021, respectively, as a reduction to the face amount of the notes payable. Amortization of debt issuance costs of \$4,711 and \$12,042 was reported as interest expense during 2022 and 2021, respectively.

Aggregate annual maturities of notes payable at August 31, 2022 are:

| | |
|------|---------------------|
| 2023 | 616,608 |
| 2024 | 6,454,679 |
| | \$ 7,071,287 |

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 (the "SBA") under the Coronavirus Aid, Relief, and Economic Security's Act, from a qualified lender, for an aggregate principal amount of \$898,062 (the "PPP Loan"). The PPP Loan bore interest at a fixed rate of 1.00% per annum, with the first six months of interest deferred, had a term of two years, and was unsecured and guaranteed by the SBA. The principal amount of the PPP Loan was subject to forgiveness under the Program upon Vineyard's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by Vineyard.

On May 19, 2021, Vineyard received notification from the SBA that the loan was forgiven, and the SBA remitted payment to the lender for the full outstanding principal and accrued interest amount. Accordingly, on the consolidated statement of activities for 2021, Vineyard recognized debt forgiveness of \$898,062 on the principal portion of the loan as well as \$9,554 in accrued and unpaid interest expense.

VINEYARD COMMUNITY CHURCH AND AFFILIATES

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

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

| | 2022 | 2021 |
|---|------------|------------|
| The Healing Center | \$ 114,840 | \$ 95,011 |
| World missions | 53,174 | 229,164 |
| Scholarships and other | 21,061 | 27,226 |
| Financial Peace University Scholarships | 1,104 | - |
| Campus update | - | 23,298 |
| Short term missions | - | 505 |
| | \$ 190,179 | \$ 375,204 |

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 are as follows:

| | 2022 | 2021 |
|--------------------------|------------|------------|
| World missions | \$ 175,990 | \$ 47,568 |
| The Healing Center | 131,913 | 66,647 |
| Adoption program | 25,000 | - |
| Campus update | 23,298 | - |
| Scholarships and other | 6,164 | 450 |
| Short term missions | 881 | 29,789 |
| Auditorium sound upgrade | - | 30,798 |
| | \$ 363,246 | \$ 175,252 |

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Notes to Consolidated Financial Statements (Continued)

NOTE 11 NONCASH DONATIONS

Noncash donations are recorded in the consolidated financial statements as revenue, gains and other support and as an expense. All noncash donations for 2022 and 2021 are without donor restrictions are used for the Healing Center's mission. Noncash donations for the period ended August 31, 2022 and 2021, included in the consolidated financial statements, were as follows:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|---------------------|---------------------|
| Food | \$ 1,737,819 | \$ 1,492,055 |
| Clothing | 54,000 | 21,000 |
| Emergency Food Pantry credits | 76,742 | 36,179 |
| Miscellaneous donations | <u>-</u> | <u>8,000</u> |
| | <u>\$ 1,868,561</u> | <u>\$ 1,557,234</u> |

Food is valued at the estimated average fair value of one pound of donated product at a value of \$1.79 per pound and \$1.68 or \$1.72 per pound, respectively, for the fiscal years ending August 31, 2022 and 2021. The 2022 value was determined based on a national nonprofit emergency food and services provider's calculated estimate. The 2021 values were determined based on a national grocery store's calculated estimate.

Clothing is valued at an estimated value of \$500 per bin of clothing received for both fiscal years ending August 31, 2022 and 2021. This value was determined by taking the average amount of clothing per bin, which is approximately 500, and valuing each article of clothing at \$1.00.

The Healing Center receives Emergency Food Pantry credits from a local nonprofit emergency food and service provider. The value of credits received each year is determined and provided by the local nonprofit emergency food and service provider.

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 4% of the employee's annual salary, and 50% on amounts exceeding 4% up to 6%. Vineyard made \$111,138 and \$144,231 in contributions to the plan for the years ended August 31, 2022 and 2021, respectively.

ACCOMPANYING INFORMATION

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Consolidating Statement of Financial Position August 31, 2022

| | Vineyard Community Church | Healing Center | Eliminations | Total |
|---|---------------------------------|-------------------|--------------------|----------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 3,243,131 | \$ 459,041 | \$ - | \$ 3,702,172 |
| Grants and contributions receivable, net | 103,349 | 153,059 | (40,673) | 215,735 |
| Investments | 3,428,764 | - | - | 3,428,764 |
| Inventory | - | 62,819 | - | 62,819 |
| Prepaid expenses | 34,511 | - | - | 34,511 |
| Property and equipment, net | 16,106,748 | 137,246 | - | 16,243,994 |
| Total assets | <u>\$ 22,916,503</u> | <u>\$ 812,165</u> | <u>\$ (40,673)</u> | <u>\$ 23,687,995</u> |
| Liabilities and Net Assets | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 357,021 | \$ 53,333 | \$ (40,673) | \$ 369,681 |
| Accrued expenses | 252,278 | 24,146 | - | 276,424 |
| Notes payable, net | 6,994,392 | - | - | 6,994,392 |
| Total liabilities | <u>7,603,691</u> | <u>77,479</u> | <u>(40,673)</u> | <u>7,640,497</u> |
| Net Assets | | | | |
| Without donor restrictions | | | | |
| Undesignated | 5,545,767 | 619,846 | - | 6,165,613 |
| Invested in property and equipment, net of related debt | 9,249,602 | - | - | 9,249,602 |
| Board designated | 442,104 | - | - | 442,104 |
| Total without donor restrictions | 15,237,473 | 619,846 | - | 15,857,319 |
| With donor restrictions | | | | |
| | 75,339 | 114,840 | - | 190,179 |
| Total net assets | <u>15,312,812</u> | <u>734,686</u> | <u>-</u> | <u>16,047,498</u> |
| Total liabilities and net assets | <u>\$ 22,916,503</u> | <u>\$ 812,165</u> | <u>\$ (40,673)</u> | <u>\$ 23,687,995</u> |

See independent auditors' report

VINEYARD COMMUNITY CHURCH AND AFFILIATES

Consolidating Statement of Activities Year Ended August 31, 2022

| | Vineyard Community Church | | | Healing Center | | | Eliminations | Total | | |
|---|----------------------------|-------------------------|---------------|----------------------------|-------------------------|------------|--------------|----------------------------|-------------------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total | | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue, gains and other support | | | | | | | | | | |
| Contributions | \$ 8,809,950 | \$ 26,479 | \$ 8,836,429 | \$ 732,528 | \$ 76,742 | \$ 809,270 | \$ (610,200) | \$ 8,932,278 | \$ 103,221 | \$ 9,035,499 |
| In-kind contributions - related party | - | - | - | 366,571 | - | 366,571 | (366,571) | - | - | - |
| Noncash contributions | - | - | - | 1,868,561 | - | 1,868,561 | - | 1,868,561 | - | 1,868,561 |
| Grants | - | - | - | 153,381 | 75,000 | 228,381 | - | 153,381 | 75,000 | 228,381 |
| Seminars, retreats, fees and other | 512,060 | - | 512,060 | 17,982 | - | 17,982 | (441,571) | 88,471 | - | 88,471 |
| The Café | 13,792 | - | 13,792 | - | - | - | - | 13,792 | - | 13,792 |
| Investment return | 19,315 | - | 19,315 | - | - | - | - | 19,315 | - | 19,315 |
| Net assets released from restrictions | 231,333 | (231,333) | - | 131,913 | (131,913) | - | - | 363,246 | (363,246) | - |
| Total revenue, gains and other support | 9,586,450 | (204,854) | 9,381,596 | 3,270,936 | 19,829 | 3,290,765 | (1,418,342) | 11,439,044 | (185,025) | 11,254,019 |
| Expenses | | | | | | | | | | |
| Program | 7,749,506 | - | 7,749,506 | 2,746,802 | - | 2,746,802 | (1,203,177) | 9,293,131 | - | 9,293,131 |
| Administrative | 1,288,356 | - | 1,288,356 | 217,515 | - | 217,515 | (215,165) | 1,290,706 | - | 1,290,706 |
| Fundraising | 75,568 | - | 75,568 | 34,158 | - | 34,158 | - | 109,726 | - | 109,726 |
| Total expenses | 9,113,430 | - | 9,113,430 | 2,998,475 | - | 2,998,475 | (1,418,342) | 10,693,563 | - | 10,693,563 |
| Change in net assets | 473,020 | (204,854) | 268,166 | 272,461 | 19,829 | 292,290 | - | 745,481 | (185,025) | 560,456 |
| Net assets, beginning of year | 14,764,453 | 280,193 | 15,044,646 | 347,385 | 95,011 | 442,396 | - | 15,111,838 | 375,204 | 15,487,042 |
| Net assets, end of year | \$ 15,237,473 | \$ 75,339 | \$ 15,312,812 | \$ 619,846 | \$ 114,840 | \$ 734,686 | \$ - | \$ 15,857,319 | \$ 190,179 | \$ 16,047,498 |

See independent auditors' report