

Shades Crest Baptist Church
Birmingham, Alabama

Financial Report

December 31, 2021

Including Report of
Independent Auditors

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INDEPENDENT AUDITORS' REPORT

To the Finance Committee and Trustees
Shades Crest Baptist Church
Birmingham, Alabama

Opinion

We have audited the accompanying statements of cash receipts and disbursements of Shades Crest Baptist Church ("the Church") (a non-profit organization) for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the cash receipts and disbursements of Shades Crest Baptist Church for the years ended December 31, 2021 and 2020 in accordance with the cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit 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 Shades Crest Baptist Church and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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, including omissions, 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 financial statements.

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 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 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 Shades Crest Baptist Church's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shades Crest Baptist Church's 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of cash disbursements is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.



Birmingham, Alabama
March 16, 2022

SHADES CREST BAPTIST CHURCH
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH AND CASH EQUIVALENTS, beginning of year	\$ 886,665	\$ 851,386
Receipts		
Member budget support	1,638,126	1,497,620
Building program offerings and gifts	360,843	455,129
Other designated receipts	133,450	82,173
Less: other associated disbursements	<u>(162,729)</u>	<u>(75,010)</u>
Net other designated receipts (disbursements)	(29,279)	7,163
Weekday early education receipts	356,449	286,176
Less: associated disbursements	<u>(339,897)</u>	<u>(318,644)</u>
Net program receipts (disbursements)	16,552	(32,468)
PPP loan receipts	-	201,672
Other receipts	46,802	37,628
Total receipts	<u>2,033,044</u>	<u>2,166,744</u>
Disbursements		
Missions initiatives	130,712	113,253
Personnel	721,714	741,211
Administrative ministries	47,010	40,169
Congregational ministries	46,753	19,534
Operations and maintenance	408,622	329,400
Spiritual growth	13,033	7,741
Worship	27,194	29,651
Debt service	<u>697,767</u>	<u>850,506</u>
Total disbursements	<u>2,092,805</u>	<u>2,131,465</u>
Excess of cash receipts over (under) disbursements	<u>(59,761)</u>	<u>35,279</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 826,904</u>	<u>\$ 886,665</u>

The Notes to Financial Statements are an integral part of these statements.

**SHADES CREST BAPTIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounting records of Shades Crest Baptist Church ("the Church") are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Consequently, certain revenues are recognized when received rather than when earned and certain expenses are recognized when cash is disbursed rather than when the obligation is incurred. Certain receipts that are designated to be disbursed to other ministry organizations are considered to be disbursed in the same period in which the receipt is recorded. Costs of capital improvements to property and equipment are charged to cash disbursements when paid. Therefore, depreciation is not recorded.

Accordingly, these financial statements are not intended to report the financial position and results of operations in accordance with generally accepted accounting principles.

Tax Exemption

The Church is exempt from Federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Cash and Cash Equivalents

It is the policy of the Church to include short-term investments with original maturities of one year or less as cash equivalents.

Evaluation of Subsequent Events

Management has evaluated subsequent events through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

**SHADES CREST BAPTIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

NOTE 2 - NATURE OF THE ENTITY

The Church was organized in 1954 and is a not-for-profit religious organization located in Hoover, Alabama. The Church is supported primarily through contributions from its congregation and provides various programs to its members and the community including weekly church services, Christian education, preschool, pastoral counseling, and mission initiatives.

NOTE 3 - LIQUIDITY

The following represents the Church's financial assets as of December 31, 2021, reduced by amounts not available for general use because of contractual, internal, or donor-imposed restrictions within one year.

Cash and Cash Equivalents, at year end	\$ 826,904
Less amounts unavailable for general expenditures within one year, due to:	
Designated and restricted funds (Note 5)	<u>(345,897)</u>
Cash and cash equivalents available to meet cash needs for general expenditures within one year	\$ <u><u>481,007</u></u>

As part of the Church's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

NOTE 4 - CONCENTRATIONS OF CREDIT RISK

The Church maintains its cash balances at various financial institutions. At times, such balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) limit. At December 31, 2021 and 2020, the cash deposits exceeded amounts insured by the FDIC by approximately \$625,000 and \$698,000, respectively. The Church attempts to minimize uninsured balances and regularly reviews the financial stability of any custodian of uninsured deposits.

**SHADES CREST BAPTIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

NOTE 5 - DESIGNATED AND RESTRICTED FUNDS

The Church maintains various internally designated and donor restricted funds. These funds are generated through non-budget designated support, auxiliary enterprise receipts, and/or trustee designation. These funds are included in the cash balance reflected on the statements of cash receipts and disbursements. A summary of these funds at December 31, 2021 and 2020 is presented below.

	<u>2021</u>	<u>2020</u>
Building loan fund	\$ 5,220	\$ 5,930
Program support funds	35,487	32,320
Sunday school class funds	519	877
Mission gift funds	16,113	34,082
Contingency fund	268,615	268,615
Other funds	<u>19,943</u>	<u>33,909</u>
	<u>\$ 345,897</u>	<u>\$ 375,733</u>

In addition to the designated and restricted funds that are included in the cash balance, the Church maintains a Charter Fund, which is invested in non-cash investments and therefore is not included in cash and cash equivalents on the accompanying statements of cash receipts and disbursements. The Charter Fund provides a means whereby cash and various types of property may be received, invested, managed, and applied in such a manner as will advance the long-term purposes of the Church. There were no transfers to or from the Charter Fund during the years ending December 31, 2021 and 2020. For the years ended December 31, 2021 and 2020, the current value of the Charter Fund was \$39,071 and \$35,744, respectively.

NOTE 6 - BUILDING PROGRAM NOTE PAYABLE

In 2009, the Church completed a large facility expansion and renovation project. The Church secured financing for the project with a \$6,000,000 construction line of credit. In 2010, the Church consolidated the construction line of credit and a note payable from prior construction projects into a single \$7,000,000 note payable.

The note payable agreement has been refinanced and/or amended multiple times since 2010 as the principal balance has been reduced and lower interest rates became available. As of December 31, 2021, the note payable requires monthly interest payments at a fixed rate of 4.15% and matures in July, 2027. The note is secured by substantially all property owned by the Church. Interest paid during the years ended December 31, 2021 and 2020 was \$186,214 and \$231,701, respectively.

**SHADES CREST BAPTIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

NOTE 6 - BUILDING PROGRAM NOTE PAYABLE - CONTINUED

The outstanding principal balance on the note payable amounted to \$4,163,550 and \$4,675,103 at December 31, 2021 and 2020, respectively. The loan agreement requires the principal balance be reduced to certain benchmarks at each July anniversary date until July, 2027, when the note matures and any remaining principal balance is due. As of December 31, 2021, the principal balance is lower than the maximum principal balance required by the loan agreement. The maximum principal balance and corresponding required principal reduction at each July anniversary date is as follows:

<u>As of July 18,</u>	<u>Maximum Principal Balance</u>	<u>Required Principal Reduction</u>
2022	4,921,452	-
2023	4,732,918	-
2024	4,532,155	-
2025	4,326,408	-
2026	4,109,811	53,739
2027	-	<u>4,109,811</u>
Total		<u>\$ 4,163,550</u>

The building program receipts and disbursements are maintained in a designated fund. The receipts and disbursements in the building fund for the years ending December 31, 2021 and 2020, including loan repayments, were as follows:

	<u>2021</u>	<u>2020</u>
Offering and gift receipts	\$ 360,843	\$ 455,129
Transfer from general fund to building fund	150,000	100,000
Loan principal repayments	<u>(511,553)</u>	<u>(618,805)</u>
Net receipts (disbursements)	<u>\$ (710)</u>	<u>\$ (63,676)</u>

In 2021, the Church transferred \$150,000 of unrestricted funds from the general fund into the building fund. In 2020, the Church transferred \$100,000 from the general fund into the building fund, which included \$33,000 of unrestricted funds and \$67,000 from a special donation received into the general fund in 2019.

In 2021 and 2020, the Church paid all loan interest payments totaling \$186,214 and \$231,701, respectively from the general fund.

SHADES CREST BAPTIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 7 – FUNCTIONAL CASH DISBURSEMENTS

Cash disbursements by functional classification for the years ended December 31, 2021 and 2020 are as follows:

	2021		
	Program Services	Management and General	Total 2021
Missions	\$ 130,712	\$ -	\$ 130,712
Personnel	577,371	144,343	721,714
Administrative ministries	42,309	4,701	47,010
Congregational ministries	46,753	-	46,753
Operations and maintenance	388,191	20,431	408,622
Spiritual growth	13,033	-	13,033
Worship	27,194	-	27,194
Debt service	662,879	34,888	697,767
Designated disbursements	162,729	-	162,729
Weekday early education	322,902	16,995	339,897
Total cash disbursements	\$ 2,374,073	\$ 221,358	\$ 2,595,431
	2020		
	Program Services	Management and General	Total 2020
Missions	\$ 113,253	\$ -	\$ 113,253
Personnel	592,969	148,242	741,211
Administrative ministries	36,152	4,017	40,169
Congregational ministries	19,534	-	19,534
Operations and maintenance	312,930	16,470	329,400
Spiritual growth	7,741	-	7,741
Worship	29,651	-	29,651
Debt service	807,981	42,525	850,506
Designated disbursements	75,010	-	75,010
Weekday early education	302,712	15,932	318,644
Total cash disbursements	\$ 2,297,932	\$ 227,187	\$ 2,525,119

The above information reports certain categories of cash disbursements that are attributable to more than one program or supporting function. Therefore, these cash disbursements require allocation on a reasonable basis that is consistently applied. Cash disbursements related to more than one program or supporting function are allocated using reasonable estimates based on relative time, effort, expense or other input factors as appropriate. Directly identifiable cash disbursements are charged to the corresponding program or supporting service.

**SHADES CREST BAPTIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

NOTE 8 – PPP LOAN

In April, 2020, the Church qualified for and received a loan pursuant to the Paycheck Protection Program (“PPP”), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender for an aggregate principal amount of \$201,672 (the “PPP Loan”). The entire principal amount and accrued interest related to the PPP Loan was forgiven in November, 2020.

NOTE 9 – SUBSEQUENT EVENT

The Employee Retention Credit under the Coronavirus Aid, Relief, and Economic Security Act and Consolidated Appropriations Act, 2021 provides refundable tax credits for eligible entities to keep employees on their payroll through the COVID-19 pandemic. Subsequent to year end, the Church received approximately \$120,000 of credits for wages paid in 2020. The \$120,000 will be recognized as a cash receipt in 2022.

SUPPLEMENTARY INFORMATION

**SHADES CREST BAPTIST CHURCH
SCHEDULE OF CASH DISBURSEMENTS
Years ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Missions initiatives		
SCBC partnerships	\$ 36,309	\$ 31,459
CBF / SBC	29,046	25,167
National WMU	14,524	12,584
Baptist World Alliance	14,524	12,584
Congregational initiatives	36,309	31,459
Total missions initiatives	<u>130,712</u>	<u>113,253</u>
Personnel		
Ministers'/directors' salaries	317,116	409,735
Other church salaries	279,827	207,953
Staff supply	7,750	4,050
Payroll taxes	22,604	16,667
Health insurance	27,465	43,895
Disability/life insurance	9,034	10,247
Convention/continuing education	1,569	708
Car allowances	1,874	2,517
Retirement	35,969	44,650
Moving	10,000	-
Service awards	28	-
Search committee	7,305	-
Other personnel costs	1,173	789
Total personnel	<u>721,714</u>	<u>741,211</u>
Administrative ministries		
Online fees	5,005	6,860
Office supplies/printing	10,296	6,784
Copier usage	9,666	9,181
Budget promotions/envelopes	98	-
Postage	3,116	2,834
Legal and accounting	16,250	11,750
Other payroll/administrative expenses	2,579	2,760
Total administrative ministries	<u>47,010</u>	<u>40,169</u>
Congregational ministries		
Preschool ministry	3,534	744
Children's ministry	18,571	6,752
Youth ministry	13,032	4,424
Young adult ministry	151	347
Senior adult	1,095	315
Church recreation	9,407	6,067
Church transportation	963	885
Total congregational ministries	<u>\$ 46,753</u>	<u>\$ 19,534</u>

**SHADES CREST BAPTIST CHURCH
SCHEDULE OF CASH DISBURSEMENTS
Years ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Operations and maintenance		
Kitchen supplies	\$ 5,126	\$ 1,809
Janitorial services	84,246	71,087
Computer maintenance and repair	26,995	25,953
Utilities	113,906	100,890
Insurance	48,788	44,857
Repairs and maintenance	100,564	58,528
Safety team	2,898	1,158
Grounds	9,126	8,467
New equipment	1,312	-
Equipment leases	10,881	10,973
Janitorial supplies	4,780	5,678
Total operations and maintenance	<u>408,622</u>	<u>329,400</u>
Spiritual growth		
Sunday school	12,655	6,835
Discipleship training	15	394
New Membership Fellowship	52	191
Congregational care	311	321
Total spiritual growth	<u>13,033</u>	<u>7,741</u>
Worship		
Music ministry	17,810	20,491
Public address	3,170	6,389
Flowers	238	975
Worship support	5,929	1,796
Pastor's Initiatives	47	-
Total worship	<u>27,194</u>	<u>29,651</u>
Debt service		
Principal payments	511,553	618,805
Interest payments	186,214	231,701
Total debt service	<u>697,767</u>	<u>850,506</u>
Total disbursements	<u>\$ 2,092,805</u>	<u>\$ 2,131,465</u>

