

Asbury United Methodist Church

Financial Report
December 31, 2023

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Independent Auditor's Report

To the Finance Committee
Asbury United Methodist Church

Qualified Opinion

We have audited the financial statements of Asbury United Methodist Church (Church), which comprise the statements of assets, liabilities and net assets on a modified cash basis as of December 31, 2023 and 2022, the related statements of revenue collected and expenses paid and changes in net assets on a modified cash basis and functional expenses on a modified cash basis for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the assets, liabilities and net assets of the Church as of December 31, 2023 and 2022, and its revenue collected and expenses paid and changes in net assets during the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Qualified Opinion

Financial statements prepared under the modified cash basis of accounting normally would reflect the recognition of depreciation on property and equipment. However, as disclosed in Note 3, management has elected not to recognize such depreciation. In addition, financial statements prepared under the modified cash basis of accounting would normally reflect purchased assets at historical costs. However, as disclosed in Note 3, the Church has certain assets which are not valued at historical costs. The effects of these practices on the financial statements are not reasonably determinable.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Asbury United Methodist Church 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 qualified audit opinion.

Emphasis of Matter — 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 modified 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 modified cash basis of accounting described in Note 1, and for determining that the modified 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 GAAS 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 financial statements.

In performing an audit in accordance with GAAS, 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 Asbury United Methodist 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 Asbury United Methodist 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 audits.

Haley & Woods, LLP

Birmingham, Alabama
August 2, 2024

Asbury United Methodist Church

**Statements of Assets, Liabilities and Net Assets – Modified Cash Basis
December 31, 2023 and 2022**

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,504,955	\$ 3,569,912
Loan receivable, current	5,284	5,284
Total current assets	3,510,239	3,575,196
Loan receivable, less current portion	27,962	31,705
Property and equipment, net	26,728,727	26,304,417
Total assets	\$ 30,266,928	\$ 29,911,318
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	\$ 260,803	\$ 247,466
Total current liabilities	260,803	247,466
Long-term debt, less current portion	6,824,237	7,173,874
Total liabilities	7,085,040	7,421,340
Net assets:		
Without donor restrictions		
Undesignated	336,611	336,611
Designated by the Board	2,220,661	2,285,208
Net investment in property and equipment	19,643,687	18,883,077
With donor restrictions	980,929	985,082
Total net assets	23,181,888	22,489,978
Total liabilities and net assets	\$ 30,266,928	\$ 29,911,318

See notes to financial statements.

Asbury United Methodist Church

**Statements of Revenue Collected and Expenses Paid and Changes in Net Assets –
Modified Cash Basis
Years Ended December 31, 2023 and 2022**

	2023	2022
Changes in net assets without donor restrictions:		
Revenue collected:		
Ministry contributions	\$ 4,363,604	\$ 4,627,049
CASA tuition and fees	760,500	737,114
Employee retention credit grant	427,304	102,946
Interest	95,154	13,856
Recreation	80,387	82,861
Anchor ministry	46,561	42,791
Food service	24,544	33,342
Other	1,273	10,132
Gain on sale of parsonage	-	96,108
	5,799,327	5,746,199
Net assets released from restrictions:		
Expiration of time restrictions on pledges	33,000	82,060
Restrictions satisfied by expenditures made	929,433	882,735
	962,433	964,795
	6,761,760	6,710,994
Expenses paid from operations:		
Program services:		
Ministries	1,667,399	1,543,978
CASA	982,784	941,349
Missions in action	844,597	824,878
Congregation services	606,844	612,056
North Alabama Conference	536,405	594,791
Administration	677,333	631,971
	5,315,362	5,149,023
Expenses paid from designated and restricted funds:		
Program services:		
Ministries	454,623	333,826
Missions in action	91,795	177,854
CASA	51,107	54,030
Congregation services	34,069	74,166
Capital improvements	83,788	237,806
Administration	34,953	47,552
	750,335	925,234
Excess of revenue without donor restrictions collected over expenses paid	696,063	636,737

(Continued)

Asbury United Methodist Church

**Statements of Revenue Collected and Expenses Paid and Changes in Net Assets –
Modified Cash Basis
Years Ended December 31, 2023 and 2022 Continued**

	2023	2022
Changes in net assets with donor restrictions:		
Revenue collected:		
Ministry contributions	660,693	437,356
Missions in action	109,344	167,052
Capital contributions	67,219	116,277
CASA	47,361	52,012
Congregation services	43,233	51,182
Staff appreciation contributions	30,430	34,834
	<u>958,280</u>	<u>858,713</u>
Net assets released from restrictions:		
Expiration of time restrictions on pledges	(33,000)	(82,060)
Restrictions satisfied by expenditures made	(929,433)	(882,735)
	<u>(962,433)</u>	<u>(964,795)</u>
Deficiency of revenue with donor restrictions collected under releases from restrictions	(4,153)	(106,082)
Excess of revenue collected over expenses paid	691,910	530,655
Net assets:		
Beginning of year	<u>22,489,978</u>	21,959,323
End of year	<u>\$ 23,181,888</u>	<u>\$ 22,489,978</u>

See notes to financial statements.

Asbury United Methodist Church

**Statement of Functional Expenses - Modified Cash Basis
Year Ended December 31, 2023**

	Ministries	CASA	Missions in Action	Congregation Services	North Alabama Conference	Total Programs	Administration	Total
Salaries and wages	\$ 885,200	\$ 627,160	\$ 252,206	\$ 300,450	\$ -	\$ 2,065,016	\$ 336,270	\$ 2,401,286
Payroll taxes and benefits	189,251	81,725	56,775	56,775	84,672	469,198	75,703	544,901
Bank fees	-	-	-	-	-	-	52,597	52,597
Insurance	27,631	20,723	6,908	6,908	-	62,170	6,908	69,078
Interest	114,148	85,611	28,537	28,537	-	256,833	28,536	285,369
Ministerial support	-	-	-	-	438,661	438,661	-	438,661
Miscellaneous	5,487	385	-	1,284	-	7,156	34,134	41,290
Missions	7,658	-	450,388	-	1,585	459,631	-	459,631
Postage and copying	2,448	4,060	408	653	-	7,569	28,068	35,637
Professional development	12,915	-	-	601	-	13,516	13,630	27,146
Professional fees	-	-	-	-	-	-	27,813	27,813
Programs	128,766	4,232	-	73,530	11,487	218,015	4,409	222,424
Repairs and maintenance	131,507	85,511	28,504	28,504	-	274,026	28,503	302,529
Supplies	78,905	10,765	-	52,534	-	142,204	14,441	156,645
Telephone and communication:	-	-	-	36,197	-	36,197	5,450	41,647
Utilities	83,483	62,612	20,871	20,871	-	187,837	20,871	208,708
Total expenses	\$ 1,667,399	\$ 982,784	\$ 844,597	\$ 606,844	\$ 536,405	\$ 4,638,029	\$ 677,333	\$ 5,315,362

See notes to financial statements.

Asbury United Methodist Church

**Statement of Functional Expenses - Modified Cash Basis
Year Ended December 31, 2022**

	Ministries	CASA	Missions in Action	Congregation Services	North Alabama Conference	Total Programs	Administration	Total
Salaries and wages	\$ 797,092	\$ 592,365	\$ 236,578	\$ 278,942	\$ -	\$ 1,904,977	\$ 315,436	\$ 2,220,413
Payroll taxes and benefits	186,685	76,291	56,006	56,006	109,665	484,653	74,673	559,326
Bank fees	-	-	-	-	-	-	41,868	41,868
Insurance	24,786	18,589	6,197	6,197	-	55,769	6,199	61,968
Interest	120,231	90,173	30,058	30,058	-	270,520	30,058	300,578
Ministerial support	-	-	-	-	472,786	472,786	-	472,786
Miscellaneous	8,121	1,977	-	1,614	-	11,712	33,099	44,811
Missions	(1,280)	-	447,422	-	1,422	447,564	-	447,564
Postage and copying	3,070	3,907	204	1,441	-	8,622	26,546	35,168
Professional development	26,354	-	-	-	-	26,354	10,391	36,745
Professional fees	-	-	-	-	-	-	27,294	27,294
Programs	116,110	4,177	-	85,497	10,918	216,702	-	216,702
Repairs and maintenance	112,897	84,132	28,044	28,044	-	253,117	28,044	281,161
Supplies	67,905	8,630	-	44,097	-	120,632	13,492	134,124
Telephone and communication	528	-	-	59,791	-	60,319	4,502	64,821
Utilities	81,479	61,108	20,369	20,369	-	183,325	20,369	203,694
Total expenses	\$ 1,543,978	\$ 941,349	\$ 824,878	\$ 612,056	\$ 594,791	\$ 4,517,052	\$ 631,971	\$ 5,149,023

See notes to financial statements.

Asbury United Methodist Church

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: Asbury United Methodist Church (Church) was established in 1986. The Church is affiliated with the North Alabama Conference of The United Methodist Church.

The Church's significant accounting policies are as follows:

Financial statement presentation: For financial statement presentation, the Church uses the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities. Under FASB ASC 958, the Church reports information regarding its financial position and activities according to the two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are amounts which are currently available at the discretion of the Church for use in their operations and ministries. Net assets with donor restrictions are amounts which are restricted by donors for specific operating purposes or future periods.

Basis of accounting: The Church maintains its accounting records on the modified cash basis of accounting, except as noted in Note 3. Under this method, revenues are recognized when collected rather than when earned, and expenses are recorded when the cash disbursement is made rather than when the liability is incurred. This basic approach is modified to include property and equipment and certain liabilities. Consequently, the Church has not recognized unconditional promises to give from members and accounts payable to vendors and their related effects on the change in net assets. Accordingly, these financial statements are not intended to present the financial position and the changes in net assets in conformity with accounting principles generally accepted in the United States of America (GAAP).

Revenue recognition: The Church receives support from its members as well as outside donors. In addition, the Church receives revenue from tuition and fees from its CASA preschool program as well as fees for other programs. Revenues are recorded when collected, which is consistent with the modified cash basis of accounting.

Cash and cash equivalents: The Church considers all liquid investments purchased with an original maturity of three months or less to be cash equivalents. As of December 31, 2023 and 2022, cash equivalents totaled \$1,908,358 and \$1,522,691, respectively.

The Church maintains cash and cash equivalents at financial institutions which, at times, may exceed federally insured limits. The Church has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Property and equipment: Prior to January 1, 2017, management recorded land and equipment at appraised value, and the old sanctuary building was recorded at insured value. Property and equipment purchased after December 31, 2016 are stated at cost and at fair value on the date of donation determined by independent appraisal for donated assets, as more fully described in Note 3. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are not depreciated.

Upon sale or other retirement of property and equipment, the cost is removed from the related accounts, and any gain or loss is recognized.

Prepaid pledges: Pledges collected in advance of the year to which they pertain are recorded by the Church as net assets with donor restrictions and are transferred to net assets without donor restrictions during the period for which they relate.

Asbury United Methodist Church

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Other donor restricted net assets: Pledges and contributions restricted by donors are recorded as an increase in net assets with donor restrictions. When donor restricted funds are disbursed in accordance with such restrictions, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Functional expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of revenue collected and expenses paid and changes in net assets – modified cash basis and in the statement of functional expenses. Accordingly, certain costs have been allocated consistently among the program services and supporting services benefited based on a percentage method on the following bases: 1) insurance, interest, repairs and maintenance and utilities is allocated based on square-footage used by each function, and 2) salaries and benefits are allocated based on estimates of time and effort.

Use of estimates: The preparation of financial statements in conformity with the modified cash basis of accounting 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.

Income taxes: The Church is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and is not considered to be a private foundation under the Code. Management does not believe the Church has been involved in any actions that would change its tax status and is not subject to United States (U.S.) federal tax examinations by tax authorities.

Subsequent events: Subsequent events have been evaluated through August 2, 2024, which is the date the financial statements were available for issuance.

Note 2. Liquidity

As of December 31, 2023 and 2022, the Church had financial assets available within one year of the statement assets, liabilities and net assets – modified cash basis date for general expenditures as follows:

	2023	2022
Cash and cash equivalents	\$ 3,504,955	\$ 3,569,912
Loan receivable, current	5,284	5,284
	<u>3,510,239</u>	<u>3,575,196</u>
Less those unavailable for general expenditures within one year, due to:		
Board designations for specific purposes	(2,220,661)	(2,285,208)
Donor-imposed restrictions	(980,929)	(985,082)
	<u>\$ 308,649</u>	<u>\$ 304,906</u>

The Church has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, operating revenue generated throughout the year is budgeted to cover general operating expenditures.

Asbury United Methodist Church

Notes to Financial Statements

Note 3. Property and Equipment

At December 31, 2023 and 2022, property and equipment consisted of the following:

	2023	2022
Land	\$ 2,668,668	\$ 2,668,668
Buildings and improvements	23,037,025	23,037,025
Equipment	1,023,034	598,724
	<hr/>	<hr/>
Net property and equipment	\$ 26,728,727	\$ 26,304,417

Prior to January 1, 2017, management recorded land and equipment at appraised value, and the old sanctuary building was recorded at insured value. These valuation methods are not considered as generally accepted modifications of the cash basis of accounting. The effects of these departures from the modified cash basis of accounting on the accompanying financial statements have not been determined.

Property and equipment purchased after December 31, 2016 was recorded at cost. Furthermore, during 2018, the Church moved into the new sanctuary. Capitalized cost associated with the new building totaled \$14,683,216. During 2019, the Church built a new columbarium with a cost of \$130,754 and made improvements to the sanctuary with a cost of \$54,919.

In addition, financial statements prepared under the modified cash basis of accounting normally would reflect the recognition of depreciation on property and equipment other than land. Management has elected not to recognize such depreciation. The effects of this practice on the financial statements are not reasonably determinable.

Note 4. Long-Term Debt

Long-term debt as of December 31, 2023 and 2022 is summarized as follows:

	2023	2022
Mortgage note payable to bank; bearing interest at a fixed rate of 3.90%; monthly principal and interest payments of \$44,347, maturing in November 2043; collateralized by the Church's property	\$ 7,085,040	\$ 7,421,340
Less current maturities	(260,803)	(247,466)
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	\$ 6,824,237	\$ 7,173,874

Principal maturities of long-term debt for the next five years and thereafter are as follows:

Years ending December 31:		
2024	\$	260,803
2025		270,832
2026		281,585
2027		292,765
2028		304,389
Thereafter		5,674,666
	<hr/>	<hr/>
	\$	7,085,040

Asbury United Methodist Church

Notes to Financial Statements

Note 5. Net Assets without Donor Restrictions Designated by the Board

Net assets without donor restrictions designated by the Board are segregated into the following funds at December 31, 2023 and 2022:

	2023	2022
Operations carryover	\$ 888,881	\$ 669,479
Minister parsonage	598,748	679,055
Missions in action	458,775	470,911
Cash flow reserve	209,285	209,285
CASA	64,972	145,530
Capital improvements	-	110,948
	<u>\$ 2,220,661</u>	<u>\$ 2,285,208</u>

Note 6. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for a future period or for various purposes as specified by the donor including the preservation and maintenance of the Church buildings, missions, capital projects and other ministries of the Church and are segregated into the following funds at December 31, 2023 and 2022:

	2023	2022
Ministry	\$ 526,406	\$ 366,847
Missions in action	224,848	207,358
Congregation services	146,131	136,968
CASA	53,114	100,138
Staff appreciation	30,430	34,953
Capital improvements	-	138,815
Other	-	3
	<u>\$ 980,929</u>	<u>\$ 985,082</u>

Note 7. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenditures satisfying the donor restricted purposes during the years ended December 31, 2023 and 2022:

	2023	2022
Ministries	\$ 464,072	\$ 332,826
Capital improvements	120,597	111,505
CASA	94,386	49,237
Missions in action	91,853	177,854
Additional principal payments on debt	89,500	97,500
Staff appreciation	34,953	37,611
Congregation services	34,069	74,166
Expiration of time restrictions on pledges	33,000	82,060
Administration	3	2,036
	<u>\$ 962,433</u>	<u>\$ 964,795</u>

Asbury United Methodist Church

Notes to Financial Statements

Note 8. Retirement Plan

The Church's employees are covered by a Church-sponsored defined contribution retirement plan through Wespath. Under this plan, after six months of employment, the Church contributes an amount equal to 5% of gross earnings for employees who work 30 hours or more per week. Retirement plan expense totaled \$66,815 and \$105,673 for the years ended December 31, 2023 and 2022, respectively.

Note 9. Operating Leases

The Church leases certain office equipment under noncancelable operating leases. Future minimum rent payments as of December 31, 2023, are as follows:

Years ending December 31:

2024	\$	31,401
2025		23,166

Total rent expense associated with these leases are included in postage and copying expenses in the statements of functional expenses.



Independent Auditor's Report on the Supplementary Information

To the Finance Committee
Asbury United Methodist Church

We have audited the financial statements of Asbury United Methodist Church as of and for the years ended December 31, 2023 and 2022, and have issued our report thereon, dated August 2, 2024, which contained a qualified opinion on those financial statements due to not recording depreciation on property and equipment and certain property and equipment not being recorded at historical costs. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

The accompanying supplementary information 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, except for the effect on the accompanying information of the qualified opinion on the financial statements described above, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Birmingham, Alabama
August 2, 2024

Asbury United Methodist Church

**Operating Fund Statements of Revenue Collected and Expenses Paid –
Modified Cash Basis
Years Ended December 31, 2023 and 2022**

	2023	2022
Revenue collected:		
Ministry contributions	\$ 4,353,604	\$ 4,627,049
CASA	738,546	734,802
Recreation	80,387	82,861
Anchor ministry	46,561	42,791
Food service	24,544	33,342
Other	1,273	10,132
Interest	5,380	4,695
	5,250,295	5,535,672
Expenses paid from operations:		
Staff parish relations	2,096,372	2,028,773
Trustees	867,975	864,227
CASA	733,564	687,348
North Alabama Conference apportionments	536,405	594,791
Missions in action	450,795	447,624
Communications and media	76,793	92,494
Worship ministry	67,359	20,763
Youth ministry	63,132	56,293
Finance	61,966	56,769
Nursery	51,353	1,635
Children's ministry	49,410	50,635
Recreation	48,192	45,794
Administration	42,389	44,437
Anchor ministry	38,992	39,039
Food service	34,385	43,964
Music ministry	33,367	12,486
Family formation	32,133	39,945
Hospitality and connections	12,299	-
Adult ministry	8,745	9,520
Church council	5,766	2,506
Congregational care	2,311	8,376
Seniors/YAH Ministry	786	962
Women's ministry	746	385
Stewardship - financial	119	77
Scouting	8	180
	5,315,362	5,149,023
Deficiency (excess) of operating revenue collected over operating expenses paid	\$ (65,067)	\$ 386,649