



Sandia Church of the Nazarene

Financial Statements
and
Independent Auditors' Report

April 30, 2021

Sandia Church of the Nazarene

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-14
Supplementary Information	
Combining Statements of Financial Position	15
Combining Statements of Activities	16



Independent Auditors' Report

Board of Directors and Management
Sandia Church of the Nazarene

Report on the Financial Statements

We have audited the accompanying financial statements of the Sandia Church of the Nazarene (the "Church") (a nonprofit organization), which comprise the statement of financial position as of April 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Church's preparation and fair presentation of the 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 Church'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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Church as of April 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statements of financial position and the combining statements of activities are not required parts of the financial statements. The combining statements of financial position and the combining statements of activities are the responsibility of management and were derived from and relate 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 the 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.

SJT Group LLC

Albuquerque, New Mexico
September 20, 2021

Financial Statements

Sandia Church of the Nazarene

Statement of Financial Position

April 30, 2021

Assets

Current assets

Cash	\$ 103,812
Accounts receivable	<u>23,268</u>
Total current assets	127,080

Property and equipment, net 2,774,217

Total assets \$ 2,901,297

Liabilities and Net Assets

Current liabilities

Accrued liabilities	\$ 2,498
Note payable, current portion	<u>46,100</u>
Total current liabilities	48,598

Note payable, less current portion 1,712,021

Total liabilities 1,760,619

Net assets

Without donor restrictions 1,140,678

Total net assets 1,140,678

Total liabilities and net assets \$ 2,901,297

The accompanying notes are an integral part of these financial statements

Sandia Church of the Nazarene

Statement of Activities For the Year Ended April 30, 2021

	<u>Without Donor Restrictions</u>
Support and Revenue	
Contributions and gifts	\$ 224,007
Tuition income	486,643
In-kind revenue	122,438
Rental income	83,619
PPP forgiveness contribution	56,822
Thrift store income	9,201
Other income	<u>9,144</u>
Total support and revenue	<u>991,874</u>
Expenses	
Program services	
Church activities	53,877
Mission Albuquerque	607,443
Support services	
Management and general	186,396
Fundraising	<u>49,881</u>
Total expenses	<u>897,597</u>
Change in net assets	94,277
Net assets, beginning of year	<u>1,046,401</u>
Net assets, end of year	<u><u>\$ 1,140,678</u></u>

The accompanying notes are an integral part of these financial statements

Sandia Church of the Nazarene

Statement of Functional Expenses

For the Year Ended April 30, 2021

	Program Services				
	Church Activities	Mission Albuquerque	Management and General	Fundraising	Total
Salaries and wages	\$ 19,500	\$ 230,094	\$ 52,843	\$ 24,114	\$ 326,551
In-kind expense	-	122,438	-	-	122,438
Interest	-	49,004	49,004	-	98,008
Utilities	552	62,100	20,883	-	83,535
Depreciation	-	24,683	24,684	24,683	74,050
Food and supplies	6,546	32,361	9,618	-	48,525
Insurance	-	26,787	8,929	-	35,716
Repairs and maintenance	-	23,909	7,970	-	31,879
Fringe benefits and taxes	-	18,418	4,331	1,084	23,833
Apportionment	19,932	-	-	-	19,932
Professional fees	1,250	3,335	6,242	-	10,827
Events and ministries	-	9,746	-	-	9,746
Fees	4,849	300	226	-	5,375
Other	661	1,750	331	-	2,742
Advertising	587	749	1,335	-	2,671
Travel and gas	-	1,769	-	-	1,769
	<u>\$ 53,877</u>	<u>\$ 607,443</u>	<u>\$ 186,396</u>	<u>\$ 49,881</u>	<u>\$ 897,597</u>

The accompanying notes are an integral part of these financial statements

Sandia Church of the Nazarene

Statement of Cash Flows For the Year Ended April 30, 2021

Cash flows from operating activities

Cash received from contributions and grants	\$ 224,007
PPP forgiveness contribution	56,822
Cash received from preschool tuition	476,625
Cash received from rental activities	83,619
Cash paid to suppliers	(255,802)
Cash paid to employees	(360,700)
Cash paid for interest	(98,008)
Other cash received	18,345
Net cash provided by operating activities	<u>144,908</u>

Cash flows from financing activities

Principal payments on notes payable	<u>(58,044)</u>
Net cash used by financing activities	<u>(58,044)</u>
Net increase in cash	86,864
Cash, beginning of year	<u>16,948</u>
Cash, end of year	<u><u>\$ 103,812</u></u>

Reconciliation of change in net assets to net cash provided by operating activities

Change in net assets	<u>\$ 94,277</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	74,050
Changes in assets and liabilities	
Accounts receivable	(10,018)
Accounts payable	(3,085)
Accrued liabilities	<u>(10,316)</u>
Total adjustments	<u>50,631</u>
Net cash provided by operating activities	<u><u>\$ 144,908</u></u>

The accompanying notes are an integral part of these financial statements

Sandia Church of the Nazarene

Notes to Financial Statements

April 30, 2021

1) Organization

The Sandia Church of the Nazarene (the “Church”) started operations in October of 1953. The Church’s mission is to share the saving and transforming love of Jesus Christ with the city of Albuquerque and surrounding areas. The Church does this by starting congregations in communities across the area that engage in daily expressions of compassionate ministry, as well as provide engaging worship services and practical in-depth discipleship. Additionally, Mission Albuquerque is one of the biggest components of the Church. For more than 15 years, Mission Albuquerque has provided ministries of compassion and transformation to people in need in the city of Albuquerque and the surrounding areas. In 2005, Mission Albuquerque began a full-fledged partnership with the ministries of Sandia Church of the Nazarene and began a move, deep into the impoverished international district of Albuquerque. The Church, through Mission Albuquerque, also operates the Grace Thrift Store, a Mission Training Center, and the Kingdom Builders Preschool and Day Care. The thrift shop is run primarily by volunteers and the items sold are mainly donated items. The preschool and day care program are located at the Church’s location on Central Avenue. The Mission Training Center is located on the Church’s property on Markham road and offers non-accredited clergy preparation, lay missions’ preparation, as well as life skills and general education services. Many staff and students live on campus. The training center is operated by both paid staff and student volunteers as part of their training program. The Church is primarily supported by contributions from members and program service revenues as mentioned above. The Internal Revenue Service issued a determination letter stating that the Church qualifies as a public charity and is exempt from federal income tax under Section 501(c)(3).

2) Summary of Significant Accounting Policies

This summary of significant accounting policies of the Church is presented to assist in the understanding of the Church’s financial statements. The financial statements and notes are the representations of the Church’s management who is responsible for their integrity and objectivity.

The Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (ASC or the Codification) as the source of authoritative accounting principles recognized by the FASB to be used by nongovernmental entities when preparing financial statements in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. The Codification essentially reduces the GAAP hierarchy to two levels: authoritative and non-authoritative, with the Codification being authoritative GAAP.

Sandia Church of the Nazarene

Notes to Financial Statements

April 30, 2021

2) Summary of Significant Accounting Policies — continued

Basis of Accounting

The financial statements of the Church are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Net Assets

The accompanying financial statements are prepared in accordance with generally accepted accounting principles for non-profit organizations. Under these provisions, net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Church and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Church's management and the Board of Directors.

Net Assets with Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Church or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At April 30, 2021, the Church has no net assets with donor restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Allowance for Uncollectible Accounts

Management believes that receivables are fully collectible and, accordingly, no allowance for uncollectible accounts is considered necessary.

Property and Equipment

Property and equipment are recorded at cost if purchased or fair value if contributed. The Church capitalizes items greater than \$5,000. Depreciation is calculated based on the straight-line method over five to forty years.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. However, if a restriction is fulfilled in the same fiscal year in which the contribution is received, the Church reports the support as net assets without donor restrictions.

Sandia Church of the Nazarene

Notes to Financial Statements

April 30, 2021

2) Summary of Significant Accounting Policies — continued

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 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.

Cash and Cash Equivalents

The Church considers all cash and short-term investments with an original maturity of three months or less to be cash equivalents. The Church had no cash equivalents at April 30, 2021.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities, and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel expenses are allocated based on time and effort while most other expenses are allocated based on specific identification.

Income Taxes

The Church is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code on all income except unrelated business income. The Church evaluates uncertain tax positions in accordance with FASB ASC 450, *Accounting for Contingencies*, whereby the effect of the uncertainties in tax positions would be recorded if the outcome was considered probable and reasonably estimable. The Church believes that there is appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The Church recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Church's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before financial statements are available to be issued.

The Church has evaluated subsequent events through September 20, 2021 which is the date the financial statements were available to be issued.

Sandia Church of the Nazarene

Notes to Financial Statements

April 30, 2021

3) Availability and Liquidity

The following represents the Church's financial assets at April 30, 2021:

Financial assets at year end:

Cash	\$ 103,812
Accounts receivable	<u>23,268</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 127,080</u>

As part of the Church's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Excess cash is maintained in the bank so that funds are easily accessed in times of liquidity needs. During times of cash flow difficulty, the Church has been able to delay payments as well as reduce expenses to an acceptable level until additional revenue is received.

4) Property and Equipment

Property and equipment consist of the following at April 30, 2021:

Land	\$ 910,000
Buildings	790,000
Building improvements	2,000,000
Vehicles	<u>62,500</u>
	3,762,500
Less accumulated depreciation	<u>(988,283)</u>
Total	<u>\$ 2,774,217</u>

5) Donated Materials and Services

Donated materials and services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Church. The Church receives a significant amount of donated services from volunteers for program activities. The value of volunteer services has not been recorded as the services do not meet the recognition criteria of FASB ASC 958-10-20, *Accounting for Contributions Received and Contributions Made*.

Sandia Church of the Nazarene

Notes to Financial Statements

April 30, 2021

6) In-Kind Contributions

The Church receives approximately 65,000 pounds of food annually. The biggest food donations come from Desert Harvest, Sprouts, Trader Joe's, and individual donations. Additionally, the thrift shop sells donated items such as used clothing and furniture. The valuation of the items donated is usually determined by the revenue that the thrift shop generates. In-kind revenue is made up of the following during fiscal year 2021:

Food	\$ 113,100
Thrift Store-clothing, furniture, etc.	9,338
Total	<u>\$ 122,438</u>

7) Kingdom Builders Day Care and Preschool

The Church, through Mission Albuquerque, owns and operates Kingdom Builders Day Care and Preschool (Kingdom Builders). Kingdom Builders is one the Church's biggest sources of revenue. The majority of the income comes from the NM Children, Youth and Families Department (CYFD). CYFD clients who attend the preschool and day care have their tuition expenses covered by CYFD on a sliding scale depending on the child's parents' income. CYFD reimburses Kingdom Builders monthly and the amount varies depending on the child's age and Kingdom Builders star rating. The facility upgraded to a 4-star facility in fiscal year 2021 and hopes to become a 5-star facility in the near future. Tuition income consists of the following during fiscal year 2021:

State subsidies	\$ 396,022
Day care/preschool fees	51,032
CYFD family nutrition	39,589
Total	<u>\$ 486,643</u>

Sandia Church of the Nazarene

Notes to Financial Statements

April 30, 2021

8) Thrift Store

The Grace Thrift Store is another revenue source that the Church relies on. The thrift store sells donated items and is run entirely by volunteers. Thrift store income consists of the following during fiscal year 2021:

Merchandise sales	\$ 8,500
Recycling	600
Sales of product	101
Total	<u>\$ 9,201</u>

9) Rental Income

The Church owns several units which are located at its Markham Property. The units consist of apartments, office units, classrooms, and a chapel. The apartments are often leased out to their employees. During fiscal year 2021 the Church began to manage the Montgomery property on behalf of the New Mexico District Church of the Nazarene. Rental income consists of the following during fiscal year 2021:

Apartment rental income	\$ 61,059
Mission training center rental income	14,160
Montgomery rental income	8,400
Total	<u>\$ 83,619</u>

Sandia Church of the Nazarene

Notes to Financial Statements

April 30, 2021

10) Long-Term Debt

In March 2017, the Church refinanced its mortgage debt and entered into a \$1,922,180 adjustable rate note with the Church Finance Corporation. Payments will be payable in 180 monthly installments of principal and interest, amortized over 25 years, and initially bear interest at 5.5%. The monthly payments will begin at \$11,804. The interest rate will be adjusted every three years using the index of the Wall Street Journal Prime plus 2% or 5.5%, whichever is greater. The final installment and all principal and interest shall be due and payable fifteen years from the date of the loan. The loan is collateralized by the Church's real property. At April 30, 2021, the balance totals \$1,758,121.

In October 2014, the Church entered into a loan with the New Mexico District Church of the Nazarene. The loan totaled \$132,600 and bears interest at 4%. Monthly principal and interest payments total \$2,440 through October 2020. The loan was paid off in fiscal year 2021.

The future minimum payments of the Church's mortgage are as follows:

2022	\$	46,100
2023		48,701
2024		51,448
2025		54,350
2026		57,416
Thereafter		<u>1,500,106</u>
Total	\$	<u><u>1,758,121</u></u>

11) Refundable Advance – Paycheck Protection Program (PPP) Loans

In fiscal year 2021, the Church was granted a loan totaling \$56,822 under the PPP administered by a Small Business Administration (SBA) approved partner. This loan is uncollateralized and is fully guaranteed by the Federal government. The Church is eligible for loan forgiveness of up to 100% of the loans, upon meeting certain requirements. The Church initially recorded the loan as a refundable advance and records the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loans. Proceeds from the loan are eligible for forgiveness if it is used for certain payroll, rent, and utility expenses. During the year ended April 30, 2021, the Church recorded a contribution of \$56,822 related to the PPP loan since the entire amount was forgiven.

Sandia Church of the Nazarene

Notes to Financial Statements

April 30, 2021

12) Uncertainty Related to the COVID-19 Outbreak

The Church's operations in fiscal years 2021 and 2022 have been affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which has been declared a pandemic by the World Health Organization. The ultimate disruption caused by the outbreak is uncertain; however, it could continue to have an adverse impact on the Church's financial position and operations for the foreseeable future. The Church has received assistance from the federal government to assist in responding to the COVID-19 pandemic.

Supplementary Information

Sandia Church of the Nazarene
Combining Statements of Financial Position
April 30, 2021

	<u>Church Activities</u>	<u>Mission Albuquerque</u>	<u>Total</u>
Assets			
Current assets			
Cash	\$ 34,138	\$ 69,674	\$ 103,812
Accounts receivable	<u>-</u>	<u>23,268</u>	<u>23,268</u>
Total current assets	34,138	92,942	127,080
Property and equipment, net	<u>-</u>	<u>2,774,217</u>	<u>2,774,217</u>
Total assets	<u><u>\$ 34,138</u></u>	<u><u>\$ 2,867,159</u></u>	<u><u>\$ 2,901,297</u></u>
 Liabilities and Net Assets			
Current liabilities			
Accrued liabilities	\$ -	\$ 2,498	\$ 2,498
Note payable, current portion	<u>-</u>	<u>46,100</u>	<u>46,100</u>
Total current liabilities	-	48,598	48,598
Note payable, less current portion	<u>-</u>	<u>1,712,021</u>	<u>1,712,021</u>
Total liabilities	<u>-</u>	<u>1,760,619</u>	<u>1,760,619</u>
Net assets			
Without donor restrictions	<u>34,138</u>	<u>1,106,540</u>	<u>1,140,678</u>
Total net assets	<u>34,138</u>	<u>1,106,540</u>	<u>1,140,678</u>
Total liabilities and net assets	<u><u>\$ 34,138</u></u>	<u><u>\$ 2,867,159</u></u>	<u><u>\$ 2,901,297</u></u>

Sandia Church of the Nazarene

Combining Statements of Activities

For the Year Ended April 30, 2021

	Church Activities	Mission Albuquerque	Total
Support and Revenue			
Contributions and gifts	\$ 129,406	\$ 94,601	\$ 224,007
Tuition income	-	486,643	486,643
In-kind revenue	-	122,438	122,438
Rental income	-	83,619	83,619
PPP forgiveness contribution	-	56,822	56,822
Thrift store income	-	9,201	9,201
Other income	4,581	4,563	9,144
Total support and revenue	<u>133,987</u>	<u>857,887</u>	<u>991,874</u>
Expenses			
Program services			
Church activities	53,877	-	53,877
Mission Albuquerque	-	607,443	607,443
Support services			
Management and general	18,734	167,662	186,396
Fundraising	9,750	40,131	49,881
Total expenses	<u>82,361</u>	<u>815,236</u>	<u>897,597</u>
Change in net assets	51,626	42,651	94,277
Net assets, beginning of year	<u>(17,488)</u>	<u>1,063,889</u>	<u>1,046,401</u>
Net assets, end of year	<u><u>\$ 34,138</u></u>	<u><u>\$ 1,106,540</u></u>	<u><u>\$ 1,140,678</u></u>