



Sandia Church of the Nazarene

Financial Statements
and
Independent Auditors' Report

April 30, 2022

Sandia Church of the Nazarene

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Independent Auditors' Report

Board of Directors and Management
Sandia Church of the Nazarene

Opinion

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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church's 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 the 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 have identified during the audit.

Report on Supplementary Information

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 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.

SJT Group LLC

Albuquerque, New Mexico
July 15, 2022

Financial Statements

Sandia Church of the Nazarene

Statement of Financial Position

April 30, 2022

Assets

Current assets

Cash	\$ 171,577
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Accounts receivable	35,337
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Total current assets	206,914
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Property and equipment, net	2,775,390
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Total assets	<u>\$ 2,982,304</u>
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Liabilities and Net Assets

Current liabilities

Accrued liabilities	\$ 1,168
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Note payable, current portion	48,701
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Total current liabilities	49,869
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Note payable, less current portion	1,664,028
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Total liabilities	<u>1,713,897</u>
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Net assets

Without donor restrictions	1,268,407
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Total net assets	<u>1,268,407</u>
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Total liabilities and net assets	<u>\$ 2,982,304</u>
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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, 2022

	Without Donor Restrictions
Support and Revenue	
Grant income	\$ 288,258
Contributions and gifts	159,475
Tuition income	433,950
In-kind revenue	94,279
Rental income	117,279
Thrift store income	8,359
Total support and revenue	<u>1,101,600</u>
Expenses	
Program services	
Church activities	44,331
Mission Albuquerque	670,498
Support services	
Management and general	209,118
Fundraising	49,924
Total expenses	<u>973,871</u>
Change in net assets	127,729
Net assets, beginning of year	<u>1,140,678</u>
Net assets, end of year	<u><u>\$ 1,268,407</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, 2022

	Program Services				
	Church Activities	Mission Albuquerque	Management and General	Fundraising	Total
Salaries and wages	\$ 19,875	\$ 266,290	\$ 51,546	\$ 23,807	\$ 361,518
Utilities	559	85,653	28,737	-	114,949
Interest	-	47,778	47,778	-	95,556
In-kind expense	-	94,279	-	-	94,279
Depreciation	-	24,925	24,925	24,925	74,775
Repairs and maintenance	-	51,138	17,046	-	68,184
Insurance	-	30,563	10,187	-	40,750
Food and supplies	-	36,135	3,993	-	40,128
Fringe benefits and taxes	-	19,077	3,577	1,192	23,846
Apportionment	13,080	-	-	-	13,080
Professional fees	1,250	3,761	7,611	-	12,622
Bad debt	-	-	7,600	-	7,600
Fees	4,548	1,390	1,553	-	7,491
Travel and gas	1,500	5,697	-	-	7,197
Other	1,869	1,421	2,702	-	5,992
Events and ministries	1,650	2,391	-	-	4,041
Advertising	-	-	1,863	-	1,863
	<u>\$ 44,331</u>	<u>\$ 670,498</u>	<u>\$ 209,118</u>	<u>\$ 49,924</u>	<u>\$ 973,871</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, 2022

Cash flows from operating activities

Cash received from contributions and grants	\$ 447,733
Cash received from preschool tuition	421,881
Cash received from rental activities	117,279
Cash paid to suppliers	(323,897)
Cash paid to employees	(386,694)
Cash paid for interest	(95,556)
Other cash received	<u>8,359</u>
Net cash provided by operating activities	<u>189,105</u>

Cash flows from financing activities

Principal payments on notes payable	<u>(45,392)</u>
Net cash used by financing activities	<u>(45,392)</u>

Cash flows from investing activities

Purchase of equipment	<u>(75,948)</u>
Net cash used by investing activities	<u>(75,948)</u>
Net increase in cash	67,765

Cash, beginning of year	<u>103,812</u>
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Cash, end of year	<u><u>\$ 171,577</u></u>
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Reconciliation of change in net assets to net cash provided by operating activities

Change in net assets	<u>\$ 127,729</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	74,775
Changes in assets and liabilities	
Accounts receivable	(12,069)
Accrued liabilities	<u>(1,330)</u>
Total adjustments	<u>61,376</u>
Net cash provided by operating activities	<u><u>\$ 189,105</u></u>

The accompanying notes are an integral part of these financial statements

Sandia Church of the Nazarene

Notes to Financial Statements

April 30, 2022

1) Organization

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. Since 1999, Mission Albuquerque has provided ministries of compassion and transformation to people in need in the city of Albuquerque and the surrounding areas. 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, 2022

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, 2022, 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, 2022

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, 2022.

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.

Revenue Recognition

Revenues from grants and contributions are recognized when the grants are awarded and are recorded as net assets with or without donor restrictions. Revenues from contributions are recognized when cash, securities, other assets, or an unconditional promise to give is received. Grants and contributions available for general purposes are recorded as net assets without donor restrictions. Grants and contributions that are required to be used for a specific purpose – that is, those with a measurable performance or other barrier – are recorded as net assets with donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restrictions expire in the reporting period in which the support is recognized. The Church also generates revenue from renting space and day care services. Revenues related to rental income and day care services are recognized when the Church's performance obligation is met.

Sandia Church of the Nazarene

Notes to Financial Statements

April 30, 2022

2) Summary of Significant Accounting Policies — continued

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 July 15, 2022 which is the date the financial statements were available to be issued.

3) Availability and Liquidity

The following represents the Church's financial assets at April 30, 2022:

Financial assets at year end:

Cash	\$ 171,577
Accounts receivable	<u>35,337</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 206,914</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) 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, 2022

5) Property and Equipment

Property and equipment consist of the following at April 30, 2022:

Land	\$ 910,000
Buildings	790,000
Building improvements	2,026,953
Vehicles	67,000
Construction in progress	41,495
	<u>3,835,448</u>
Less accumulated depreciation	<u>(1,060,058)</u>
Total	<u>\$ 2,775,390</u>

6) In-Kind Contributions

The Church receives approximately 48,000 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 2022:

Food	\$ 85,920
Thrift Store-clothing, furniture, etc.	8,359
Total	<u>\$ 94,279</u>

7) 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 2022:

Apartment rental income	\$ 79,989
Mission training center rental income	15,470
Montgomery rental income	21,820
Total	<u>\$ 117,279</u>

Sandia Church of the Nazarene

Notes to Financial Statements

April 30, 2022

8) 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. In FY 2022 the facility was categorized as a 4-star facility. Since then, the facility has upgraded to a 5-star facility. Tuition income consists of the following during fiscal year 2022:

State subsidies	\$ 370,816
Day care/preschool fees	29,011
CYFD family nutrition	<u>34,123</u>
Total	<u><u>\$ 433,950</u></u>

9) 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 2022:

Merchandise sales	<u>\$ 8,359</u>
Total	<u><u>\$ 8,359</u></u>

Sandia Church of the Nazarene

Notes to Financial Statements

April 30, 2022

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, 2022, the balance totals \$1,712,729.

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

2023	48,701
2024	51,448
2025	54,350
2026	57,416
2027	60,654
Thereafter	<u>1,440,160</u>
Total	<u>\$ 1,712,729</u>

11) Uncertainty Related to the COVID-19 Outbreak

The Church's operations in fiscal years 2022 and 2023 have been affected by the 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.

Supplementary Information

Sandia Church of the Nazarene
Combining Statements of Financial Position
April 30, 2022

	<u>Church Activities</u>	<u>Mission Albuquerque</u>	<u>Total</u>
Assets			
Current assets			
Cash	\$ 57,950	\$ 113,627	\$ 171,577
Accounts receivable	<u>-</u>	<u>35,337</u>	<u>35,337</u>
Total current assets	57,950	148,964	206,914
Property and equipment, net	<u>-</u>	<u>2,775,390</u>	<u>2,775,390</u>
Total assets	<u><u>\$ 57,950</u></u>	<u><u>\$ 2,924,354</u></u>	<u><u>\$ 2,982,304</u></u>
 Liabilities and Net Assets			
Current liabilities			
Accrued liabilities	\$ -	\$ 1,168	\$ 1,168
Note payable, current portion	<u>-</u>	<u>48,701</u>	<u>48,701</u>
Total current liabilities	-	49,869	49,869
Note payable, less current portion	<u>-</u>	<u>1,664,028</u>	<u>1,664,028</u>
Total liabilities	<u>-</u>	<u>1,713,897</u>	<u>1,713,897</u>
Net assets			
Without donor restrictions	<u>57,950</u>	<u>1,210,457</u>	<u>1,268,407</u>
Total net assets	<u>57,950</u>	<u>1,210,457</u>	<u>1,268,407</u>
Total liabilities and net assets	<u><u>\$ 57,950</u></u>	<u><u>\$ 2,924,354</u></u>	<u><u>\$ 2,982,304</u></u>

Sandia Church of the Nazarene

Combining Statements of Activities

For the Year Ended April 30, 2022

	Church Activities	Mission Albuquerque	Total
Support and Revenue			
Grant income	\$ -	\$ 288,258	\$ 288,258
Contributions and gifts	91,664	67,811	159,475
Tuition income	-	433,950	433,950
In-kind revenue	-	94,279	94,279
Rental income	-	117,279	117,279
Thrift store income	-	8,359	8,359
Total support and revenue	<u>91,664</u>	<u>1,009,936</u>	<u>1,101,600</u>
Expenses			
Program services			
Church activities	44,444	-	44,444
Mission Albuquerque	-	671,316	671,316
Support services			
Management and general	13,470	194,717	208,187
Fundraising	9,938	39,986	49,924
Total expenses	<u>67,852</u>	<u>906,019</u>	<u>973,871</u>
Change in net assets	23,812	103,917	127,729
Net assets, beginning of year	<u>34,138</u>	<u>1,106,540</u>	<u>1,140,678</u>
Net assets, end of year	<u><u>\$ 57,950</u></u>	<u><u>\$ 1,210,457</u></u>	<u><u>\$ 1,268,407</u></u>