

THE GLASGOW REFORMED PRESBYTERIAN CHURCH
OF DELAWARE, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

August 31, 2008 and 2007

WHEELER • WOLFENDEN • DWARES

Certified Public Accountants

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WHEELER • WOLFENDEN • DWARES
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Glasgow Reformed Presbyterian
Church of Delaware, Inc.
Bear, Delaware

We have audited the accompanying statements of financial position of The Glasgow Reformed Presbyterian Church of Delaware, Inc. (the Church) as of August 31, 2008 and 2007, and the related statements of activities, general supporting expenses and cash flows for the years then ended. These financial statements are the responsibility of the Church's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Glasgow Reformed Presbyterian Church of Delaware, Inc. as of August 31, 2008 and 2007, and the changes in its net assets and its cash flows in conformity with accounting principles generally accepted in the United States of America.

Wheeler, Wolfenden & Dwares, PA

January 5, 2009
Wilmington, Delaware

THE GLASGOW REFORMED PRESBYTERIAN CHURCH OF DELAWARE, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 2008 and 2007

ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 336,303	\$ 392,891
Restricted cash – health reserve account	2,500	-
Accounts receivable	3,687	11,634
Investments	7,000	7,000
Prepaid expenses	<u>82,896</u>	<u>50,519</u>
Total current assets	432,386	462,044
LONG-TERM ASSETS		
Property and equipment – net	<u>4,605,859</u>	<u>4,355,349</u>
TOTAL ASSETS	<u>\$ 5,038,245</u>	<u>\$ 4,817,393</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 35,966	\$ 47,879
Line of credit	450,000	50,000
Deferred revenue	158,634	108,779
Notes payable – current	<u>7,555</u>	<u>7,555</u>
Total current liabilities	652,155	214,213
LONG-TERM LIABILITIES		
Notes payable	<u>1,259</u>	<u>8,814</u>
Total liabilities	653,414	223,027
NET ASSETS		
Unrestricted	4,247,650	4,471,363
Temporarily restricted	<u>137,181</u>	<u>123,003</u>
Total net assets	<u>4,384,831</u>	<u>4,594,366</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,038,245</u>	<u>\$ 4,817,393</u>

The accompanying notes are an integral part of these financial statements.

THE GLASGOW REFORMED PRESBYTERIAN CHURCH OF DELAWARE, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended August 31, 2008 and 2007

	2008		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND OTHER REVENUE			
General offerings	\$ 1,985,642	\$ 53,754	\$ 2,039,396
Registration fees	141,390	-	141,390
Interest income	10,338	-	10,338
Christian Academy tuition and fees, net of discounts	414,110	-	414,110
Miscellaneous income	20,927	-	20,927
Net assets released from restriction	39,576	(39,576)	-
Total support and other revenue	2,611,983	14,178	2,626,161
EXPENSES			
Program expenses			
Christian Academy	373,154	-	373,154
Children's programs	53,194	-	53,194
Youth programs	33,040	-	33,040
Adult programs	8,659	-	8,659
Mission programs	245,160	-	245,160
Music programs	18,443	-	18,443
Outreach	158,225	-	158,225
Satellite ministries	108,811	-	108,811
Education	37,373	-	37,373
Total program expenses	1,036,059	-	1,036,059
General supporting expenses	1,799,637	-	1,799,637
Total expenses	2,835,696	-	2,835,696
(Decrease) increase in net assets	(223,713)	14,178	(209,535)
Net assets – beginning of year	4,471,363	123,003	4,594,366
Net assets – end of year	\$ 4,247,650	\$ 137,181	\$ 4,384,831

The accompanying notes are an integral part of these financial statements.

2007

	Unrestricted	Temporarily Restricted	Total
\$	1,959,200	\$ -	\$ 1,959,200
	65,971	-	65,971
	15,012	-	15,012
	402,719	-	402,719
	6,845	-	6,845
	35,691	(35,691)	-
	<u>2,485,438</u>	<u>(35,691)</u>	<u>2,449,747</u>
	361,427	-	361,427
	55,373	-	55,373
	26,463	-	26,463
	12,769	-	12,769
	148,291	-	148,291
	12,664	-	12,664
	145,655	-	145,655
	87,408	-	87,408
	21,593	-	21,593
	<u>871,643</u>	<u>-</u>	<u>871,643</u>
	<u>1,766,306</u>	<u>-</u>	<u>1,766,306</u>
	<u>2,637,949</u>	<u>-</u>	<u>2,637,949</u>
	(152,511)	(35,691)	(188,202)
	<u>4,623,874</u>	<u>158,694</u>	<u>4,782,568</u>
\$	<u><u>4,471,363</u></u>	\$ <u><u>123,003</u></u>	\$ <u><u>4,594,366</u></u>

THE GLASGOW REFORMED PRESBYTERIAN CHURCH OF DELAWARE, INC.

STATEMENTS OF GENERAL SUPPORTING EXPENSES

For the Years Ended August 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Salaries	\$ 819,757	\$ 650,882
Employee benefits	142,360	113,790
Payroll taxes	<u>47,564</u>	<u>35,532</u>
Total salaries and related expenses	1,009,681	800,204
Interest expense	18,557	-
Professional fees	8,024	6,500
Supplies	43,619	37,113
Hospitality	9,862	20,263
Office expense	24,257	25,510
Miscellaneous	997	9,530
Travel	-	1,370
Bank fees	2,297	1,998
Repairs and maintenance	53,919	29,289
Meals and entertainment	-	17,060
Advertising	17,501	59,034
Administration fees	11,642	500
Utilities	97,160	97,258
Depreciation	272,867	355,163
Insurance	172,485	145,290
Equipment rental	18,327	39,359
Other expenses	19,510	98,234
Postage	865	1,560
Staff development	8,542	9,832
Security	<u>9,525</u>	<u>11,239</u>
Total general supporting expenses	<u>\$ 1,799,637</u>	<u>\$ 1,766,306</u>

The accompanying notes are an integral part of these financial statements.

THE GLASGOW REFORMED PRESBYTERIAN CHURCH OF DELAWARE, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended August 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from general offerings, registration fees, and tuition	\$ 2,673,625	\$ 2,561,469
Cash paid for program and supporting expenses	(2,589,097)	(2,348,483)
Interest received	10,338	15,012
Interest paid	<u>(18,557)</u>	<u>-</u>
Net cash provided by operating activities	76,309	227,998
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(125,342)</u>	<u>(375,482)</u>
Net cash utilized by investing activities	(125,342)	(375,482)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from line of credit	-	50,000
(Payments) draws on note payable	<u>(7,555)</u>	<u>16,369</u>
Net cash (utilized) provided by financing activities	<u>(7,555)</u>	<u>66,369</u>
Net decrease in cash and cash equivalents	(56,588)	(81,115)
Cash and cash equivalents – beginning of year	<u>392,891</u>	<u>474,006</u>
Cash and cash equivalents – end of year	<u>\$ 336,303</u>	<u>\$ 392,891</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment	\$ 400,000	\$ -
Line of credit	<u>(400,000)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

Continued . . .

The accompanying notes are an integral part of these financial statements.

THE GLASGOW REFORMED PRESBYTERIAN CHURCH OF DELAWARE, INC.

STATEMENTS OF CASH FLOWS – CONTINUED

For the Years Ended August 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF DECREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Decrease in net assets	\$ (209,535)	\$ (188,202)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Depreciation	274,832	356,668
Decrease (increase) in assets		
Restricted cash	(2,500)	-
Accounts receivable	7,947	17,955
Prepaid expenses	(32,377)	(31,588)
Increase (decrease) in liabilities		
Accounts payable	(11,913)	(35,614)
Deferred revenue	49,855	108,779
Total adjustments	<u>285,844</u>	<u>416,200</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 76,309</u>	<u>\$ 227,998</u>

The accompanying notes are an integral part of these financial statements.

THE GLASGOW REFORMED PRESBYTERIAN CHURCH OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

The Glasgow Reformed Presbyterian Church of Delaware, Inc. (the Church) is a constituent of the Presbyterian Church in America (PCA). The Church is a not-for-profit organization and is dedicated to proclaiming the Scriptures through the pulpit ministry, worship, education, outreach, and local and foreign mission work. The Church is supported primarily through contributions from the congregation.

2. Basis of Accounting

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

3. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Church is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

4. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the assets.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction expires in the same reporting period, the support is reported as an increase in unrestricted net assets.

7. Contributed Services

The Church receives a substantial amount of services donated by its members in carrying out the Church's ministry. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116, *Accounting for Contributions Made and Received*.

8. Income Tax

The Church is exempt from federal income tax under the *Internal Revenue Code*, Section 501(c)(3).

9. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Church considers all unrestricted, highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

The Church maintains its cash balances in several financial institutions located in Wilmington, Delaware. The Federal Deposit Insurance Corporation or Securities Investor Protection Corporation insures these balances up to \$100,000 per institution. From time-to-time, in the normal course of business, the Church's balances may exceed this amount. Management believes the risk of loss is remote. The uninsured amount at August 31, 2008 and 2007 was \$288,182 and \$324,557, respectively.

Subsequent to August 31, 2008 and prior to January 5, 2009, the Federal Deposit Insurance Corporation increased the insured amount to \$250,000.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Deferred Revenue

Deferred revenue represents tuition and deposits received for academic services to be rendered in the succeeding year.

11. Reclassification

Certain amounts from the 2007 financial statements have been reclassified to conform to amounts in the 2008 financial statements.

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31:

	<u>2008</u>	<u>2007</u>
Land	\$ 238,576	\$ 238,575
Land improvements	141,985	138,885
Buildings and improvements	5,277,532	4,946,459
Equipment and furniture	<u>1,098,774</u>	<u>907,606</u>
	6,756,867	6,231,525
Less: accumulated depreciation	<u>(2,151,008)</u>	<u>(1,876,176)</u>
	<u>\$ 4,605,859</u>	<u>\$ 4,355,349</u>

Under the PCA Book of Church Order, the Church, through its duly elected corporate officers, shall have sole title to its property. The superior courts of the Church may receive monies or properties from a local church only by free and voluntary action of the local church. Depreciation expense for the years ended August 31, 2008 and 2007 was \$274,832 and \$356,668, respectively.

NOTE C – LINE OF CREDIT

The Church has a \$500,000 line of credit available through WSFS bank, bearing interest of prime plus .25%. At August 31, 2008 and 2007, the rate was 5.25% and 8.25%, respectively. The line is collateralized by the Church's assets. Borrowings at August 31, 2008 and 2007 were \$450,000 and \$50,000, respectively. Total interest expense at August 31, 2008 and 2007 was \$18,557 and \$0, respectively.

Subsequent to August 31, 2008 and prior to January 5, 2008, the Church had no draws or repayments on the line of credit.

NOTE D – NOTES PAYABLE

Notes payable consisted of the following at August 31:

	<u>2008</u>	<u>2007</u>
Note payable for a vehicle with Kubota Credit Corporation – non-interest bearing note with monthly principal payments of \$630, maturing October 2009.	\$ 8,814	\$ 16,369
Less: current portion	<u>(7,555)</u>	<u>(7,555)</u>
Long-term debt	<u>\$ 1,259</u>	<u>\$ 8,814</u>

The principal payments required in the aggregate and for each of the five succeeding fiscal years on the above notes are as follows:

2009	\$ 7,555
2010	1,259
2011	-
2012	-
2013	<u>-</u>
Total	<u>\$ 8,814</u>

NOTE E – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets were available for the following purposes as of August 31:

	<u>2008</u>	<u>2007</u>
Property Fund	\$ -	\$ 4,762
Deacons Fund	48,643	8,628
Adoption Fund	5,518	4,705
Southern Kent Fund	34,425	55,661
Eden Square Fund	-	8,593
Scholarship Fund	7,000	7,287
Missions Fund	-	4,698
Christian Academy	38,595	26,044
Memorial Fund	<u>3,000</u>	<u>2,625</u>
	<u>\$ 137,181</u>	<u>\$ 123,003</u>

NOTE F – LEASES

During October 2006, the Church entered into a leasing arrangement for certain office equipment under a non-cancelable operating lease agreement. Future minimum lease payments required under operating leases are as follows for the years ending August 31:

2009	\$ 25,331
2010	25,331
2011	14,772
2012	4,212
2013	<u>2,808</u>
Total	<u>\$ 72,454</u>

For the years ended August 31, 2008 and 2007, rent expense was \$41,588 and \$35,409, respectively.

NOTE G – 403(b) PLAN

The Church provides a defined contribution 403(b) plan for its employees. Employees are eligible to participate upon their first day of work and can make either pre-tax or post-tax contributions under the provisions outlined in the plan document.

NOTE H – HEALTH REIMBURSEMENT ARRANGEMENT

On October 1, 2007, the Church entered into a health reimbursement arrangement. The Church reimburses eligible employees for medical and dental co-pays.

Under the plan agreement, eligible employees must work at least thirty hours a week for the Church to receive reimbursement. Single employees are reimbursed up to \$1,200 and families are reimbursed up to \$3,600 per year.

In addition, the Church is required to maintain at least \$2,500 in a separate bank account to cover all reimbursement costs for employees.

NOTE I – COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are various commitments and contingencies outstanding which are not reflected in these financial statements. In the opinion of management, the outcome of such events, if any, will not have a material effect on the Church's financial statements.

NOTE J – RELATED PARTY

The Church has some officers and key employees who have a family relationship or business relationship with other officers and key employees.