

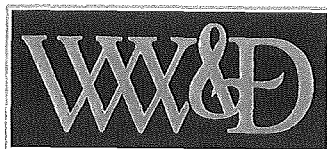
GLASGOW REFORMED PRESBYTERIAN CHURCH  
OF DELAWARE, INC.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

December 31, 2005

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WHEELER • WOLFENDEN • DWARES

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Glasgow Reformed Presbyterian Church, Inc. (the Church) as of December 31, 2005, and the related statements of activities and cash flows for the year 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 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 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 audit provides 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 Glasgow Reformed Presbyterian Church, Inc. as of December 31, 2005, 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.

*Wheeler, Wolfenden & Dwares, PA*

July 14, 2006  
Wilmington, Delaware

GLASGOW REFORMED PRESBYTERIAN CHURCH OF DELAWARE, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2005

ASSETS

ASSETS

Cash and cash equivalents	\$	418,435
Accounts receivable		78,933
Investments		7,000
Prepaid expenses		11,674
Intangibles - net		778
Property and equipment - net		<u>4,031,431</u>

TOTAL ASSETS	\$	<u><u>4,548,251</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	58,679
Current portion of mortgage payable		<u>419,740</u>

Total current liabilities		478,419
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NET ASSETS

Unrestricted		3,859,440
Temporarily restricted		<u>210,392</u>

Total net assets		<u>4,069,832</u>
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TOTAL LIABILITIES AND  
NET ASSETS

	\$	<u><u>4,548,251</u></u>
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The accompanying notes are an integral part of these financial statements.

GLASGOW REFORMED PRESBYTERIAN CHURCH OF DELAWARE, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND OTHER REVENUE</b>			
General offerings	\$ 1,887,310	\$ 47,058	\$ 1,934,368
Registration fees	71,088	-	71,088
Interest income	1,533	-	1,533
Christian Academy	357,640	-	357,640
Miscellaneous income	<u>28,263</u>	<u>-</u>	<u>28,263</u>
Total support and other revenue	2,345,834	47,058	2,392,892
<b>EXPENSES</b>			
Program expenses			
Christian Academy	292,881	-	292,881
Children's programs	45,809	-	45,809
Youth programs	43,285	-	43,285
Adult programs	33,572	-	33,572
Mission programs	152,501	-	152,501
Music programs	27,750	-	27,750
Outreach	33,420	-	33,420
Education	<u>2,720</u>	<u>-</u>	<u>2,720</u>
Total program expenses	631,938	-	631,938
General supporting expenses	<u>1,462,221</u>	<u>-</u>	<u>1,462,221</u>
Total expenses	<u>2,094,159</u>	<u>-</u>	<u>2,094,159</u>
Increase in net assets	251,675	47,058	298,733
Net assets - beginning of year	<u>3,607,765</u>	<u>163,334</u>	<u>3,771,099</u>
Net assets - end of year	<u>\$ 3,859,440</u>	<u>\$ 210,392</u>	<u>\$ 4,069,832</u>

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

GLASGOW REFORMED PRESBYTERIAN CHURCH OF DELAWARE, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from general offerings	\$ 2,370,027
Cash paid for program and supporting expenses	(1,890,841)
Cash paid for interest expense	<u>(25,802)</u>
Net cash provided by operating activities	453,384
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(45,472)</u>
Net cash utilized by investing activities	(45,472)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net payments on mortgage loan	<u>(154,846)</u>
Net cash utilized by financing activities	<u>(154,846)</u>
Net increase in cash and cash equivalents	253,066
Cash and cash equivalents - beginning of year	<u>165,369</u>
Cash and cash equivalents - end of year	<u>\$ 418,435</u>

Continued . . .

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

GLASGOW REFORMED PRESBYTERIAN CHURCH OF DELAWARE, INC.

STATEMENT OF CASH FLOWS - CONTINUED

For the Year Ended December 31, 2005

RECONCILIATION OF INCREASE IN NET ASSETS TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES

Increase in net assets	\$	298,733
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation		185,249
Decrease (increase) in assets		
Accounts receivable		(22,865)
Prepaid expenses		(27,303)
Increase (decrease) in liabilities		
Accounts payable		<u>19,570</u>
Total adjustments		<u>154,651</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	<u><u>453,384</u></u>

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

GLASGOW REFORMED PRESBYTERIAN CHURCH OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

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

1. Nature of Activities

Glasgow Reformed Presbyterian Church, 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 net assets, temporarily restricted net assets and permanently restricted net assets.

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 \$500 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 life of the asset.

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.

8. Income Taxes

The Church is exempt from federal income taxes 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.

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2005:

Land	\$ 238,576
Land improvements	85,498
Buildings	4,418,451
Furniture and equipment	<u>687,975</u>
	5,430,500
Less: accumulated depreciation	<u>(1,399,069)</u>
	<u>\$ 4,031,431</u>

Under the PCA Book of the 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.

NOTE C – LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2005:

Mortgage payable – WSFS Bank - monthly principal and interest payments of \$14,269, with a fixed interest rate of 5.51%, maturing in 2009, collateralized by the building. In 2006, the Church made accelerated payments, and the mortgage was paid in full. (See NOTE F)	<u>\$ 419,740</u>
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Principal maturities of long-term debt for each of the following five years in the aggregate are:

2006	\$ 419,740
2007	-
2008	-
2009	-
2010	<u>-</u>
Total	<u>\$ 419,740</u>

Interest expense on all indebtedness for the year ended December 31, 2005 was \$25,802.

NOTE D – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Property Fund	\$ 1,954
Capital Campaign	4,024
Deacons Fund	34,701
Southern Kent	23,719
Scholarship Fund	7,359
Missions Fund	3,274
Pre-school Fund	135,261
Memorial Fund	<u>100</u>
	<u>\$ 210,392</u>

NOTE E – LEASES

The Church leases equipment under a noncancelable operating lease expiring in October 2006. The Church has the option of purchasing the equipment at the end of the lease for its fair market value. Lease expense for the year ended December 31, 2005 was \$13,853.

As of December 31, 2005, the future minimum lease payments are as follows:

2006	<u>\$ 9,169</u>
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NOTE F – SUBSEQUENT EVENTS

In June 2006, the Church paid off the mortgage payable with WSFS Bank. There was no penalty for early payment.