

GLASGOW REFORMED PRESBYTERIAN CHURCH
OF DELAWARE, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

August 31, 2006

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	8

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 August 31, 2006, and the related statements of activities and cash flows for the period of January 1, 2006 through August 31, 2006. 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 August 31, 2006, and the changes in its net assets and its cash flows for the period of January 1, 2006 through August 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

December 19, 2006
Wilmington, Delaware

GLASGOW REFORMED PRESBYTERIAN CHURCH OF DELAWARE, INC.

STATEMENT OF FINANCIAL POSITION

August 31, 2006

ASSETS

ASSETS

Cash and cash equivalents	\$	474,001
Accounts receivable		29,589
Investments		7,005
Prepaid expenses		18,931
Property and equipment - net		<u>4,336,535</u>

TOTAL ASSETS \$ 4,866,061

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	83,493
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NET ASSETS

Unrestricted		4,623,874
Temporarily restricted		<u>158,694</u>

Total net assets 4,782,568

TOTAL LIABILITIES AND NET ASSETS \$ 4,866,061

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

GLASGOW REFORMED PRESBYTERIAN CHURCH OF DELAWARE, INC.

STATEMENT OF ACTIVITIES

For the Period of January 1, 2006 through August 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND OTHER REVENUE			
General offerings	\$ 1,645,432	\$ -	\$ 1,645,432
Registration fees	57,123	-	57,123
Interest income	3,042	-	3,042
Christian Academy	354,811	-	354,811
Miscellaneous income	10,641	-	10,641
Net assets released from restriction	<u>51,698</u>	<u>(51,698)</u>	<u>-</u>
 Total support and other revenue	 2,122,747	 (51,698)	 2,071,049
EXPENSES			
Program expenses			
Christian academy	367,691	-	367,691
Children's programs	31,453	-	31,453
Youth programs	45,870	-	45,870
Adult programs	10,260	-	10,260
Mission programs	37,032	-	37,032
Music programs	9,986	-	9,986
Outreach	35,465	-	35,465
Education	<u>11,443</u>	<u>-</u>	<u>11,443</u>
Total program expenses	549,200	-	549,200
General supporting expenses	<u>1,148,857</u>	<u>-</u>	<u>1,148,857</u>
 Total expenses	 <u>1,698,057</u>	 <u>-</u>	 <u>1,698,057</u>
 Increase in net assets	 424,690	 (51,698)	 372,992
 Net assets - beginning of year	 <u>4,199,184</u>	 <u>210,392</u>	 <u>4,409,576</u>
 Net assets - end of year	 <u>\$ 4,623,874</u>	 <u>\$ 158,694</u>	 <u>\$ 4,782,568</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 Period of January 1, 2006 through August 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from general offerings	\$ 2,120,078
Cash paid for program and supporting expenses	(1,550,747)
Cash paid for interest expense	(11,190)
Interest received	<u>315</u>
Net cash provided by operating activities	558,456
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(83,150)</u>
Net cash utilized by investing activities	(83,150)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net payments on mortgage loan	<u>(419,740)</u>
Net cash utilized by financing activities	<u>(419,740)</u>
Net increase in cash and cash equivalents	55,566
Cash and cash equivalents - beginning of year	<u>418,435</u>
Cash and cash equivalents - end of year	<u>\$ 474,001</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 Period of January 1, 2006 through August 31, 2006

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

Increase in net assets	\$ 372,992
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	118,563
Decrease (increase) in assets	
Accounts receivable	49,344
Prepaid expenses	(7,257)
Increase (decrease) in liabilities	
Accounts payable	<u>24,814</u>
Total adjustments	<u>185,464</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 558,456</u>

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

GLASGOW REFORMED PRESBYTERIAN CHURCH OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2006

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 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.

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 August 31, 2006:

Land	\$ 238,575
Land improvements	119,259
Buildings and improvements	4,765,540
Equipment and furniture	<u>730,833</u>
	5,854,207
Less: accumulated depreciation	<u>(1,517,672)</u>
	<u>\$ 4,336,535</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 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes as of August 31, 2006:

Property Fund	\$ 2,063
Deacons Fund	3,136
Southern Kent	48,967
Scholarship Fund	7,524
Missions Fund	4,106
Pre-school Fund	92,773
Memorial Fund	<u>125</u>
	<u>\$ 158,694</u>

NOTE D – 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 as of August 31, 2006 was \$11,025.

NOTE E - RESTATEMENT

Beginning net assets have been restated to properly book fixed assets which were not previously recorded.

Net assets - as previously stated	\$ 4,069,832
Fixed assets	<u>339,744</u>
Net assets - restated	<u>\$ 4,409,576</u>