



**Decatur First United Methodist  
Church, Inc.**

**FINANCIAL STATEMENTS**

**December 31, 2021**

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# REPORT





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## **INDEPENDENT AUDITORS' REPORT**

To the Church Council of  
Decatur First United Methodist Church, Inc.

### **Qualified Opinion**

We have audited the accompanying statement of cash receipts and disbursements of Decatur First United Methodist Church, Inc. (a nonprofit organization) (Church) for the year ended December 31, 2021, and the related notes to the financial statements.

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements of Decatur First United Methodist Church, Inc. for the year ended December 31, 2021, in accordance with the cash basis of accounting as described in Note 2.

### **Basis for Qualified Opinion**

As disclosed in Note 2, information about functional expenses by their natural classification is required to be disclosed in a cash basis statement of cash receipts and disbursements. The Church has informed us that they have elected to omit this information. The effect of this departure from the cash basis of accounting on the accompanying statement of cash receipts and disbursements has not been determined.

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 Decatur First United Methodist Church, Inc. 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 qualified audit opinion.

### **Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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' 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 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 Decatur First United Methodist Church, Inc.'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 Decatur First United Methodist Church, Inc.'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 identified during the audit.

Very truly yours,



CARR, RIGGS & INGRAM, LLC

Atlanta, Georgia  
March 17, 2023



# FINANCIAL STATEMENT



**Decatur First United Methodist Church, Inc.**  
**Statement of Cash Receipts and Disbursements**

<i>For the year ended December 31, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Cash Receipts</b>			
Contributions	\$ 1,348,943	\$ 217,812	\$ 1,566,755
Preschool tuition and fees	432,155	-	432,155
Rental income	81,500	-	81,500
Other income	11,485	-	11,485
Transfers (to) from investments	(73,950)	178,382	104,432
Cash released from restrictions	382,074	(382,074)	-
<b>Total cash receipts</b>	<b>2,182,207</b>	<b>14,120</b>	<b>2,196,327</b>
<b>Cash Disbursements</b>			
Salary and compensation	1,242,566	-	1,242,566
Payroll taxes and benefits	206,013	-	206,013
Continuing education	11,215	-	11,215
Preschool expenses	24,196	-	24,196
Apportionment and ministry expenses	134,950	-	134,950
Grants and scholarships	242,241	-	242,241
Programs and events	40,587	-	40,587
Administrative expenses and fees	49,281	-	49,281
Professional fees	25,557	-	25,557
Insurance	38,417	-	38,417
Utilities	130,024	-	130,024
Repairs and maintenance	80,858	-	80,858
Equipment and supplies	20,265	-	20,265
Capital expenditures	218,304	-	218,304
<b>Total cash disbursements</b>	<b>2,464,474</b>	<b>-</b>	<b>2,464,474</b>
Change in cash and cash equivalents	(282,267)	14,120	(268,147)
Cash and cash equivalents, beginning of year	763,045	252,007	1,015,052
<b>Cash and cash equivalents, end of year</b>	<b>\$ 480,778</b>	<b>\$ 266,127</b>	<b>\$ 746,905</b>

*The accompanying notes are an integral part of this financial statement.*

## Decatur First United Methodist Church, Inc. Notes to Statement of Cash Receipts and Disbursements

### **Note 1: DESCRIPTION OF THE ORGANIZATION**

Decatur First United Methodist Church, Inc. (the Church)(a nonprofit corporation) is a local congregation of the North Georgia Conference of the United Methodist Church, incorporated in the state of Georgia. It is managed by a Church council and Trustees, which are elected by a charge conference in accordance with the rules prescribed in the *Discipline of the United Methodist Church*. The Trustees hold the property in trust for the United Methodist Church. The pastor is the principal executive officer of the Church council.

The Church is dedicated to spreading the Gospel of Jesus Christ both locally and throughout the world. The Church strives to achieve this through all facets of Church ministry including worship, music, Christian education, missions and outreach among others. The Church is supported primarily through contributions from the congregation and Preschool tuition and fees.

The Church's programs are:

Missions and evangelism – Bring hope to others in need in our local community and internationally. Missions encompasses evangelistic endeavors outside our local congregation focused toward proclaiming the Gospel of Christ, making disciples, gathering these disciples into local congregations and financially supporting our missions partners. Also encompassed is assisting members of the Church and those within our community with unexpected short-term financial needs that cannot otherwise be met.

Worship and music – Services on Sundays and for special events include Biblical preaching, traditional hymns and/or modern praise music, Creeds, and the Lord's prayer. Opportunities are offered for individuals to experience God by participating in public worship, personal prayer, devotion, and Bible study.

Christian education and fellowship - Includes members of all ages, activities designed to grow spiritually, share in the love of Jesus Christ and experience God through intentional activities of Christian education, fellowship and faith.

Preschool – The Preschool was established to meet the needs of the children up to age five of its congregation and the surrounding community. This ministry is dedicated to providing a balanced program that helps families raise children with strong Christian values who possess all the skills necessary to enter elementary



**Decatur First United Methodist Church, Inc.**  
**Notes to Statement of Cash Receipts and Disbursements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

The accompanying statement of cash receipts and disbursements has been prepared using the cash basis of accounting, which is a basis other than accounting principles generally accepted in the United States of America. Under this basis, the only assets recognized are cash and cash equivalents, and no liabilities are recognized. Furthermore, all transactions are recognized as either cash receipts or cash disbursements, and non-cash transactions are not recognized. The cash basis differs from accounting principles generally accepted in the United States of America primarily because accounts and pledges receivable, prepaid expenses, investments, property and equipment, accounts payable, prepaid pledges, accrued liabilities, and debt are not included in the statement of cash receipts and disbursements. Accordingly, certain cash disbursements, such as debt service for principal reductions and capital expenditures as reflected in this statement, would not be included in the statement of cash receipts and disbursements prepared in accordance with accounting principles generally accepted in the United States of America. In addition, the cash basis of accounting requires disclosure of functional expenses by their natural expense classification, which provides information regarding the allocation of expenses, such as personnel, occupancy, and other costs. The statement does not reflect such information.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

***Donor Restrictions***

The Church reports information regarding its cash receipts and disbursements according to two classes of cash and cash equivalents that are based upon the existence or absence of restrictions on use that are placed by its donors: cash and cash equivalents without donor restrictions and cash and cash equivalents with donor restrictions.

Cash and cash equivalents without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of cash and cash equivalents without donor restrictions are the broad limits resulting from the nature of the Church, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from cash and cash equivalents without donor restrictions, cash and cash equivalents for various purposes.

Cash and cash equivalents with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity. There were no cash and cash equivalents restricted in perpetuity at December 31, 2021.

***Revenue***

All revenues are recognized when received in accordance with the cash basis of accounting.

**Decatur First United Methodist Church, Inc.**  
**Notes to Statement of Cash Receipts and Disbursements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Income Taxes***

Under section 501(c)(3) of the Internal Revenue Code, the Church is exempt from taxes on income other than unrelated business income.

The Church utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the statement of cash receipts and disbursements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2021, the Church has no uncertain tax positions that qualify for recognition or disclosure in the statement of cash receipts and disbursements.

***Subsequent Events***

Management has evaluated subsequent events through the date that the statement of cash receipts and disbursements was available to be issued, March 17, 2023, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in the statement of cash receipts and disbursements.

**Note 3: LIQUIDITY AND AVAILABILITY**

The following reflects the Church's cash and cash equivalents as of December 31, 2021, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions.

Cash and cash equivalents at year end	\$ 746,905
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions	
Cash and cash equivalents with donor restrictions	(266,127)
Cash and cash equivalents with board designations	(298,058)
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Cash and cash equivalents available to meet cash needs	
<u>    for general expenditures within one year</u>	<u>\$ 182,720</u>

The Church is substantially supported by contributions from its congregation and preschool fees. The goal of the Church is to maintain available financial assets to meet its next 90 days of operating expense.

**Decatur First United Methodist Church, Inc.**  
**Notes to Statement of Cash Receipts and Disbursements**

**Note 4: CASH AND CASH EQUIVALENTS**

Cash and cash equivalents without donor restrictions as of December 31, 2021, are categorized as follows:

Undesignated	\$ 182,720
Board designated	
Worship and music	3,020
Church ministries	19,277
Preschool	109,376
Operating and maintenance reserves	166,385
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<u>Ending cash and cash equivalents without donor restrictions</u>	<u>\$ 480,778</u>

Cash and cash equivalents with donor restrictions as of December 31, 2021, are categorized as follows:

Time restricted - prepaid pledges	\$ 65,236
Purpose restricted	
Worship and music	67,226
Church ministries	32,364
Missions and outreach	66,413
Preschool	27,320
General and administrative	7,568
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<u>Ending cash and cash equivalents with donor restrictions</u>	<u>\$ 266,127</u>

Cash and cash equivalents released from restrictions for year ended December 31, 2021, are categorized as follows:

Time restricted - prepaid pledges	\$ 64,832
Purpose restricted	
Worship and music	2,554
Church ministries	15,996
Missions and outreach	298,692
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<u>Cash released from restrictions</u>	<u>\$ 382,074</u>

**Note 5: REVENUE**

For the year ended December 31,	2021
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Revenue from contracts with customers	
Point in time	\$ 432,155
Revenue and support from other sources	1,659,740
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<u>Total revenue and support</u>	<u>\$ 2,091,895</u>

**Decatur First United Methodist Church, Inc.**  
**Notes to Statement of Cash Receipts and Disbursements**

**Note 6: CONCENTRATION OF CREDIT RISK**

The Church maintains cash deposits with financial institutions at December 31, 2021, in excess of federally insured limits of approximately \$501,583.

**Note 7: COMMITMENTS**

The Church leases certain office equipment accounted for as an operating lease. The lease expires in 2023. Minimum lease payments under noncancellable operating leases are as follows:

<i>For the years ending December 31,</i>	
2022	\$ 5,962
2023	1,490
<u>Total future minimum lease payments</u>	<u>\$ 7,452</u>

Rent paid for the lease totaled \$5,962 for the year ended December 31, 2021.

**Note 8: RELATED PARTY TRANSACTIONS**

***Apportionments***

The Church is requested to pay apportionments to the North Georgia United Methodist Conference for its various programs based on estimated revenue for the year. Total apportionments for the year ended December 31, 2021 was \$79,516.

***Retirement Plan***

The Church sponsors a defined contribution plan (the Plan) covering all clergy. The Plan is part of the North Georgia Conference Benefits program of the United Methodist Church. The Church makes a contribution to the Plan each year up to 3% of all participants' compensation. Medical insurance offered to clergy is also part of the North Georgia Conference Benefits program. Total expense for both benefits for the year ended December 31, 2021 was \$44,438.

**Note 9: UNCERTAINTIES**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Church. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

**Decatur First United Methodist Church, Inc.**  
**Notes to Statement of Cash Receipts and Disbursements**

**Note 9: UNCERTAINTIES (Continued)**

The United Methodist Church is considering legislation that might alter church policy regarding the same sex marriage and ordination of LGBTQ individuals. A number of churches have disaffiliated from the United Methodist Church. In December 2022, the North Georgia Conference of the United Methodist Church announced a pause on approving congregations for disaffiliation until after the next General Conference scheduled for 2024. The effect on the Church of the denomination issues is uncertain. However, loss of Church members could result in a decrease in revenue and support, which would affect the Church's ability to meet any potential long-term obligations.