

BETHANY UNITED METHODIST CHURCH
FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2010

BETHANY UNITED METHODIST CHURCH

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Finance Committee
Bethany United Methodist Church

We have audited the accompanying statement of assets, liabilities and net assets of Bethany United Methodist Church (the Church) as of December 31, 2010 and the related statement of revenues, expenses and other changes in net assets, 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.

As discussed in Note A, the Church has recorded its property and equipment at estimated market values based on a valuation for insurance purposes and not at historical cost, net of accumulated depreciation, in accordance with generally accepted accounting principles.

In our opinion, except for the effects of not recording fixed assets and depreciation expense as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Bethany United Methodist Church as of December 31, 2010, and its revenues, expenses and changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Atchley + Associates, LLP

Austin, Texas
September 21, 2011

BETHANY UNITED METHODIST CHURCH
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
DECEMBER 31, 2010

ASSETS

Current assets	
Cash and cash equivalents	\$ 635,685
Accounts receivable	8,697
Inventory	8,796
Total current assets	<u>653,178</u>
Property and equipment	<u>7,205,075</u>
Total assets	<u><u>\$ 7,858,253</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 641
Pass through funds	5,731
Current portion of long-term debt	143,875
Total current liabilities	<u>150,247</u>
Long-term debt, less current installments	<u>2,258,904</u>
Total liabilities	2,409,151
Net assets	
Unrestricted	
Undesignated	5,084,288
Board designated	265,159
Total unrestricted net assets	<u>5,349,447</u>
Temporarily restricted	<u>99,655</u>
Total net assets	<u>5,449,102</u>
Total liabilities and net assets	<u><u>\$ 7,858,253</u></u>

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

BETHANY UNITED METHODIST CHURCH
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN
NET ASSETS
YEAR ENDED DECEMBER 31, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenue and support			
Contributions	\$ 2,578,252	\$ 374,162	\$ 2,952,414
Event revenue	262,661	-	262,661
Other revenue	79,946	-	79,946
	<hr/>	<hr/>	<hr/>
Total revenue and support	2,920,859	374,162	3,295,021
 Program expenses			
Missions and outreach ministry	380,610	-	380,610
Nursery	72,848	-	72,848
Food	45,541	-	45,541
Youth	225,107	-	225,107
Children's ministry	41,480	-	41,480
Communications	33,455	-	33,455
Music ministry	43,406	-	43,406
Inviting	23,610	-	23,610
Worship	20,894	-	20,894
Executive ministry	121,100	-	121,100
Stewardship ministry	10,170	-	10,170
Hospitality	18,755	-	18,755
Adult discipleship	60,069	-	60,069
Congregational	46,916	-	46,916
Connections	1,641	-	1,641
Women's ministry	6,884	-	6,884
Other	2,730	-	2,730
	<hr/>	<hr/>	<hr/>
Total program expenses	1,155,216	-	1,155,216
 Administrative expenses			
Lay staff	821,767	-	821,767
Clergy staff	312,337	-	312,337
Utilities	172,710	-	172,710
Staff	162,287	-	162,287
Miscellaneous	112,579	-	112,579
Finance	160,518	-	160,518
Maintenance	67,753	-	67,753

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

BETHANY UNITED METHODIST CHURCH
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN
NET ASSETS (continued)
YEAR ENDED DECEMBER 31, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Administrative expenses (continued)			
Computer	\$ 18,444	\$ -	\$ 18,444
Office administration	12,629	-	12,629
	<u>1,841,024</u>	<u>-</u>	<u>1,841,024</u>
Total administrative expenses			
	<u>2,996,240</u>	<u>-</u>	<u>2,996,240</u>
Total expenses			
Revenue and support over (under) expenses	(75,381)	374,162	298,781
Net assets released from restrictions	<u>391,569</u>	<u>(391,569)</u>	<u>-</u>
Increase (decrease) in net assets	<u>316,188</u>	<u>(17,407)</u>	<u>298,781</u>
Net assets at beginning of year	<u>5,033,259</u>	<u>117,062</u>	<u>5,150,321</u>
Net assets at end of year	<u><u>\$ 5,349,447</u></u>	<u><u>\$ 99,655</u></u>	<u><u>\$ 5,449,102</u></u>

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

BETHANY UNITED METHODIST CHURCH
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010

Cash flows from operating activities

Change in net assets	\$ 298,781
Changes in assets and liabilities:	
Accounts receivable	(4,085)
Inventory	(1,462)
Accounts payable	308
Pass through funds	<u>(5,858)</u>
Net cash provided (used) by operations	<u>287,684</u>

Cash flows from financing activities

Repayment of long-term debt	<u>(309,994)</u>
Net cash provided (used) by financing activities	<u>(309,994)</u>

Increase (decrease) in cash and cash equivalents (22,310)

Cash and cash equivalents - beginning of year 657,995

Cash and cash equivalents - end of year \$ 635,685

Interest paid \$ 85,760

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

BETHANY UNITED METHODIST CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Bethany United Methodist Church (the Church) is a non-profit corporation, incorporated June 13, 1978. The Church is a Christian organization with a Mission to reach into the world around us to make disciples of Jesus Christ. – Matthew 28:19 and a Purpose of leading people to experience God’s love, know Jesus Christ, and to grow in His image. The Church is supported primarily through contributions from the congregation.

Basis of Accounting

Except for property and equipment, the accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to nonprofit organizations.

Basis of Presentation

The Church has adopted FASB Accounting Standards Codification (ASC) 958-205 and subsections. Under ASC 958-205, the Church has elected 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. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets-- Includes net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets-- Temporarily restricted net assets are funds whose use by the Church have been limited by donor stipulations that limit the use of the contributed assets to (a) later periods or after specific dates (time restrictions), (b) specific purposes (purpose restrictions) or (c) both. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets-- Permanently restricted net assets represent endowment funds which are subject to the restriction of donors that the principal be invested in perpetuity and only the income be utilized. The Church had no permanently restricted net assets at December 31, 2010.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

BETHANY UNITED METHODIST CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Inventory

Inventories, consisting of food and related products for the Church's food service, are stated at the lower of cost (first-in, first-out basis) or market (net realizable value).

Property and equipment

The Church records its property and equipment at estimated market values based on a valuation obtained for insurance risk assessment purposes. In addition, no depreciation is recognized in these financial statements. This method of presentation is not in accordance with generally accepted accounting principles which provides for property and equipment to be presented at acquisition cost, or fair value on date of receipt if donated, and reduced by accumulated depreciation based on the estimated useable lives of the property.

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 unrestricted net assets if such restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a donor 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.

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 FASB ASC 958-605, *Not-for-Profit Entities Revenue Recognition*.

BETHANY UNITED METHODIST CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Income Taxes

The Church is included in The United Methodist Church Group Tax Exemption Ruling from the IRS as an Affiliated Organization exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. Date of Inclusion: October 16, 1974. EIN is 74-2086912.

The Church has adopted FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. There was no impact to the Church's financial statements as a result of the implementation of FASB ASC 740-10.

NOTE B - CASH

The total cash held by the Church at December 31, 2010, includes \$427,278 in monies that are not in an institution covered by the Federal Deposit Insurance Corporation. It is the opinion of management that the solvency of the institution is not of particular concern at this time. The remaining funds are placed in an insured financial institution.

NOTE C - LONG-TERM DEBT

A summary of long-term debt at December 31, 2010 follows:

Note payable with a variable interest rate set by the Methodist Loan Fund rate plus 1%; 2.4% at December 31, 2010. Monthly payments of accrued interest only with the principal being paid on October 7, 2026; collateralized by land and building.	\$ 245,947
Note payable with a variable interest rate set at the Prime Rate as stated by The Wall Street Journal less 1% with a floor of 3%; 4.0% at December 31, 2010. Monthly payments of \$13,715, including principal and interest, maturing on October 7, 2028; collateralized by land and building.	2,067,211

BETHANY UNITED METHODIST CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE C - LONG-TERM DEBT (Continued)

Note payable at 2.25% with monthly payments of \$5,500, including interest, maturing on November 17 2017; collateralized by land and building.	<u>\$ 89,621</u>
Total debt	2,402,779
Less current installments of long-term debt	<u>(143,875)</u>
Long-term debt, excluding current installments	<u><u>\$ 2,258,904</u></u>

Future maturities of long-term debt are as follows as of December 31, 2010:

Year Ended December 31,	
2011	\$ 143,875
2012	115,964
2013	90,345
2014	94,025
2015	97,856
Thereafter	<u>1,860,714</u>
	<u><u>\$ 2,402,779</u></u>

NOTE D - BOARD DESIGNATIONS

The Administrative Board have designated a portion of the unrestricted net assets for various ministry programs. Such designations are made at the discretion of the Board and may be utilized in accordance with purposes established by the Board. At December 31, 2010, board-designated funds totaled \$265,159 and were held for the following purposes.

Executive ministry	\$ 4,904
Music ministry	12,503
Worship	5,737
Children's ministry	13,710
Youth ministry	8,407
Missions	3,120
Inviting	4,458
Hospitality	4,934
2011 operations	121,016
Trustee reserves	58,542
Enlarge Our Territory	15,000
Other	<u>12,828</u>
	<u><u>\$ 265,159</u></u>

BETHANY UNITED METHODIST CHURCH
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2010

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Executive ministry	\$ 12,567
Music ministry	12,161
Worship	2,402
Youth ministry	33,593
Missions	3,526
Adult discipleship	11,472
Congregational care	9,490
Women's ministry	2,676
Columbarium	10,122
Other	1,646
	<u>\$ 99,655</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes:

Executive ministry	\$ 91,781
Music ministry	20,743
Youth ministry	158,634
Missions	22,864
Adult discipleship	50,130
Congregational care	30,892
Women's ministry	6,090
Other	10,435
	<u>\$ 391,569</u>

BETHANY UNITED METHODIST CHURCH
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2010

NOTE F - LEASE COMMITMENTS

The Church leases certain office equipment under a non-cancelable operating lease. The total expense under these operating leases was approximately \$22,961 for the year ended December 31, 2010. Future minimum payments by year and in aggregate for all non-cancelable operating leases with initial terms of one year or more consist of the following at December 31, 2010:

Year Ended December 31,				
	2011	\$	32,948	
	2012		21,663	
	2013		21,663	
	2014		21,663	
	2015		21,663	
	Thereafter		9,026	
	Total	\$	128,626	

NOTE G - RELATED PARTY TRANSACTIONS

Certain direct expenses are paid by the Church and are subsequently reimbursed by Bethany School. In addition, the Church provides administrative services and support such as accounting and clerical administration to Bethany School. The Church also provides office space and equipment to Bethany School. During 2010, Bethany School paid \$37,700 and \$1,200 for use of facilities and administrative services, respectively.

NOTE H - RETIREMENT PLAN

The Church offers employees the opportunity for participation in a 403(b) retirement plan. The Church matches contributions up to 5% of employee compensation. The Church incurred \$24,054 in 403(b) expense under the plan during the year ended December 31, 2010.

NOTE I - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of revenues, expenses and other changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE J - SUBSEQUENT EVENTS

Management of the Church has evaluated subsequent events for disclosure through the date of the report of independent certified public accountants, the date the financial statements were available to be issued.