

**HILTON HEAD ISLAND
COMMUNITY CHURCH**

FINANCIAL STATEMENTS

AUGUST 31, 2022

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FINANCIAL STATEMENTS

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Hilton Head Island Community Church

We have reviewed the accompanying financial statements of Hilton Head Island Community Church (the 'Organization') which comprise the statements of financial position as of August 31, 2022 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accounting. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Hilton Head Island Community Church and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Marsocci, Appleby & Company P.A.

Marsocci, Appleby & Company, P.A.
Tampa, Florida
December 7, 2022

**HILTON HEAD ISLAND COMMUNITY CHURCH
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2022**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 154,496
Prepaid expenses	<u>8,808</u>

Total current assets	163,304
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PROPERTY AND EQUIPMENT, net	<u>2,348,295</u>
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TOTAL ASSETS	<u><u>\$ 2,511,599</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 41,931
Current portion of mortgage payable	<u>60,000</u>

Total current liabilities	101,931
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MORTGAGE PAYABLE	<u>697,894</u>
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Total liabilities	<u>799,825</u>
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NET ASSETS:

Without donor restrictions	1,711,774
With donor restrictions	<u>-</u>

Total net assets	<u>1,711,774</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,511,599</u></u>
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See independent accountants' review report and notes to the financial statements.

**HILTON HEAD ISLAND COMMUNITY CHURCH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2022**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Kids program	\$ 22,171	\$ -	\$ 22,171
Students program	6,108	-	6,108
Grow program	5,880	-	5,880
Play program	626	-	626
Guest services program	7,988	-	7,988
Missions / serve program	146,756	-	146,756
Worship arts ministry (WAM) program	112,569	-	112,569
Marketing and communications	3,426	856	4,282
Facility:			
Utilities	35,228	3,914	39,142
Security system	5,790	643	6,433
Property taxes	3,948	439	4,387
Building maintenance	10,432	1,159	11,591
Landscaping	11,412	1,268	12,680
Custodial fees	36,367	4,041	40,408
Mortgage interest	29,561	3,285	32,846
Insurance	28,060	3,118	31,178
Security guard	5,441	605	6,046
Other	944	105	1,049
Insurance	112,936	19,930	132,866
Office:			
Telephone	-	7,902	7,902
Bank fees	-	15,299	15,299
Internet	27,251	4,810	32,061
Copier	8,174	2,044	10,218
Insurance	-	3,299	3,299
Other	-	5,997	5,997
Payroll	524,696	65,000	589,696
Leadership development	9,092	2,273	11,365
Depreciation	52,733	13,183	65,916
Other expenses	25,036	6,259	31,295
	<u>\$ 1,232,625</u>	<u>\$ 165,429</u>	<u>\$ 1,398,054</u>

See independent accountants' review report and notes to the financial statements.

**HILTON HEAD ISLAND COMMUNITY CHURCH
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 244,058
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	65,916
Changes in operating assets and liabilities:	
Prepaid expenses	(8,808)
Accounts payable and accrued expenses	<u>16,507</u>
Net cash provided by operating activities	<u>317,673</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Property and equipment, net	<u>(3,336)</u>
Net cash used by investing activities	<u>(3,336)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of mortgage payable	<u>(321,381)</u>
Net cash used by financing activities	(321,381)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,044)
CASH AND CASH EQUIVALENTS, beginning of year	<u>161,540</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 154,496</u></u>

See independent accountants' review report and notes to the financial statements.

**HILTON HEAD ISLAND COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

NOTE A - NATURE OF OPERATIONS:

Nature of Organization

Hilton Head Island Community Church (the 'Organization'), is a nonprofit organization formed in 2007 as a regional campus of LowCountry Community Church (LCC). The Organization was created by LCC with their blessing and financial assistance to become its own independent congregation. The objective of the organization is to passionately share the message of Jesus Christ and lead people to follow him.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The Organization's financial statements have been prepared using the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization has presented its financial statements in accordance with U.S. generally accepted accounting principles for not-for-profit organizations. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets – without donor restrictions and net assets – with donor restrictions.

- Net assets – without donor restrictions are those amounts currently available at the discretion of the Board of Directors for use in the Organization's operations. These assets are not subject to donor-imposed restrictions, or the donor-imposed restrictions have expired.
- Net assets – with donor restrictions are restricted amounts which are restricted by donors for specific purposes that may become unrestricted by actions taken by the Organization or the passage of time. There were no net assets with donor restrictions at August 31, 2022

Functional Allocation of Expenses

The costs of providing various program and related supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to the appropriate program and supporting services.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents for the purpose of determining cash flows.

**HILTON HEAD ISLAND COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property and Equipment

Property and equipment is recorded at historical cost and includes expenditures which substantially increase the useful lives of existing property and equipment. The Organization follows the practice of capitalizing all expenditures for property and equipment, or if donated, at fair market value at the date of acquisition. Maintenance and repairs are charged to operations when incurred. When property and equipment is sold or otherwise disposed of, the related asset account and related accumulated depreciation account are relieved, and any gain or loss is included in other income or expense.

Depreciation of property and equipment is computed using the straight line method based on estimated useful lives.

<u>Assets</u>	<u>Years</u>
Furniture and fixtures	7
Building and improvements	40
Office equipment	5

Donated Materials and Services

All non-cash contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donated materials are reflected at their estimated fair market values at date of receipt. Donated services are recorded at values consistent with those amounts which would be paid to salaried personnel for similar service and comply with FASB recognition criteria of enhancing a nonfinancial asset or require specialized skills.

Income Taxes

The Organization is exempt from federal income tax under Internal Revenue Code and from state corporate income tax under applicable State Statutes. The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. The Organization has no unrelated business income; however, such status is subject to final determination upon examination of the by the appropriate taxing authorities.

The Organization has no uncertain tax positions that it has taken and believes that it can defend its exempt status return in any jurisdiction. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2019.

Advertising Costs

Advertising costs are charged to activities when incurred.

Fair Value Measurements

The carrying amounts of financial instruments, including cash and cash equivalents, approximate their fair values because of the relatively short maturity of these instruments.

**HILTON HEAD ISLAND COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

NOTE C - PROPERTY AND EQUIPMENT:

Property and equipment are summarized as follows:

Furniture and fixtures	\$	582
Building and improvements		2,633,320
Office equipment		3,336
		2,637,238
Less: accumulated depreciation		(288,943)
		\$ 2,348,295

Depreciation expense amounted to \$65,916 for the year ended August 31, 2022.

NOTE D - MORTGAGE PAYABLE:

Mortgage payable debt consists of the following:

Mortgage payable, monthly payments of approximately \$7,020, including interest at 3.5% to 2024 (balloon payment)	\$	757,894
Less: current portion		(60,000)
		\$ 697,894

Current maturities of long-term debt is as follows for the years ended December 31.:

<u>YEARS</u>		<u>AMOUNT</u>
2023	\$	60,000
2024		697,894
		\$ 757,894

NOTE E - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets at year-end, net	\$	61,373
Donor-restricted for program services		-
		61,373
Financial assets available to meet cash needs for general expenditure within one year		\$ 61,373

As part of the Organization's liquidity management, it maintains its available cash in checking and savings accounts with financial institutions.

**HILTON HEAD ISLAND COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

NOTE F - COVID RESPONSE:

During March 2021, the COVID-19 virus was declared a global pandemic as it continued to spread rapidly. Business and Organization continuity, including supply chains and consumer demand across a broad range of industries and countries, have been impacted as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic.

Management has made several significant adaptations to operations to keep the Organization functional while protecting their workforce and clients.

The Organization has encouraged those who are able to work from home to do so. The Organization is utilizing when possible video conferencing systems in order to ease the transition to a mixed physical and virtual work environment. The Organization has adapted its facilities to allow for physical distancing between employees on site and has also updated sanitation policies. The Organization has implemented policies to plan for and respond to COVID related staff illnesses.

As a result of new policies and procedures and federal support programs, the Organization has not experienced significant staffing disruptions that are attributable to the pandemic.

NOTE G - SUBSEQUENT EVENTS:

Management has assessed subsequent events through December 7, 2022, the date on which the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. There were no material subsequent events that require recognition or additional disclosure.