

Central Baptist Church (d/b/a Central Church)

Consolidated Financial Report
July 31, 2023

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Independent Auditor's and Accountant's Report

Board of Trustees
Central Baptist Church

Independent Auditor's Report on the Audit of the Statement of Financial Position

Opinion

We have audited the accompanying consolidated statement of financial position—modified cash basis of Central Baptist Church d/b/a Central Church (the Church) as of July 31, 2023, and the related notes to the consolidated statement of financial position—modified cash basis (the statement of financial position).

In our opinion, the statement of financial position presents fairly, in all material respects, the financial position of the Church as of July 31, 2023, in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statement of Financial Position section of our report. We are required to be independent of the Church 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 audit opinion.

Emphasis of Matter—Basis of Accounting

We draw attention to Note 1 to the statement of financial position, which describes the basis of accounting. The statement of financial position is prepared on the modified 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 Statement of Financial Position

Management is responsible for the preparation and fair presentation of the statement of financial position in accordance with the modified cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the statement of financial position in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the statement of financial position that is free from material misstatement, whether due to fraud or error.

In preparing the statement of financial position, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church's ability to continue as a going concern within one year after the date that the statement of financial position is issued or available to be issued.

Auditor's Responsibilities for the Audit of the Statement of Financial Position

Our objectives are to obtain reasonable assurance about whether the statement of financial position is free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statement of financial position, 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 statement of financial position.
- 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 the Church'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 statement of financial position.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church'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.

Independent Accountant's Report on the Review of the Consolidated Statements of Activities and Changes in Net Assets, Functional Expenses and Cash Flows

We have reviewed the accompanying consolidated statements of activities and changes in net assets, functional expenses and cash flows of the Church for the year ended July 31, 2023, and the related notes to these consolidated financial statements (collectively, 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 Responsibilities for the Consolidated Statements of Activities and Changes in Net Assets, Functional Expenses and Cash Flows

Management is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with the modified cash basis of accounting as defined in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the presentation 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.

Accountant's 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 Accountants. 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 the modified cash basis of accounting as described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.

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

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements of the Church in order for them to be in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

RSM US LLP

Sioux Falls, South Dakota
December 11, 2023

Central Baptist Church (d/b/a Central Church)

Consolidated Statement of Financial Position—Modified Cash Basis (Audited)

July 31, 2023

See Independent Auditor's and Accountant's Report

Assets

| | |
|-------------------------------------|-----------------------------|
| Cash and cash equivalents | \$ 1,415,026 |
| Investments | 7,507,568 |
| Prepaid expenses | 5,589 |
| Property and equipment: | |
| Land and improvements | 2,534,233 |
| Buildings and improvements | 16,943,452 |
| Furniture, fixtures and equipment | 1,684,637 |
| Total property and equipment | <u>21,162,322</u> |
| Less accumulated depreciation | (9,696,888) |
| Net property and equipment | <u>11,465,434</u> |
| Total assets | <u><u>\$ 20,393,617</u></u> |

Liabilities and Net Assets

| | |
|---|-----------------------------|
| Accrued expenses and other liabilities | <u>\$ 358,347</u> |
| Net assets: | |
| Without donor restrictions: | |
| Undesignated | 15,045,870 |
| Designated | 4,519,306 |
| | <u>19,565,176</u> |
| With donor restrictions | 470,094 |
| Total net assets | <u>20,035,270</u> |
| Total liabilities and net assets | <u><u>\$ 20,393,617</u></u> |

See notes to consolidated financial statements.

Central Baptist Church (d/b/a Central Church)

Consolidated Statement of Activities and Changes in Net Assets—Modified Cash Basis (Reviewed)

Year Ended July 31, 2023

See Independent Auditor's and Accountant's Report

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------------|
| Revenue, gains and support: | | | |
| Contributions of cash and other financial assets | \$ 8,380,140 | \$ 925,814 | \$ 9,305,954 |
| Preschool tuition, fees and childcare revenue | 867,284 | 29,094 | 896,378 |
| Facility rental revenue | 22,470 | - | 22,470 |
| Miscellaneous income | 56,344 | - | 56,344 |
| Investment income | 228,179 | 6,416 | 234,595 |
| Gain on disposal of property and equipment | 208,645 | - | 208,645 |
| Net assets released from restrictions | 942,998 | (942,998) | - |
| Total revenue, gains and support | 10,706,060 | 18,326 | 10,724,386 |
| Expenses: | | | |
| Program services: | | | |
| Ministry | 6,778,654 | - | 6,778,654 |
| Preschool and kindergarten | 1,475,787 | - | 1,475,787 |
| Management and general | 532,840 | - | 532,840 |
| Fundraising | 36,373 | - | 36,373 |
| Total expenses | 8,823,654 | - | 8,823,654 |
| Change in net assets | 1,882,406 | 18,326 | 1,900,732 |
| Net assets: | | | |
| Beginning | 17,682,770 | 451,768 | 18,134,538 |
| Ending | \$ 19,565,176 | \$ 470,094 | \$ 20,035,270 |

See notes to consolidated financial statements.

Central Baptist Church (d/b/a Central Church)

Consolidated Statement of Functional Expenses—Modified Cash Basis (Reviewed)

Year Ended July 31, 2023

See Independent Auditor's and Accountant's Report

| | Program Services | | | Supporting Activities | | | Total |
|-------------------------------------|---------------------|----------------------------|---------------------|------------------------|------------------|-------------------|---------------------|
| | Ministry | Preschool and Kindergarten | Total | Management and General | Fundraising | Total | |
| Salaries and benefits | \$ 2,631,693 | \$ 879,354 | \$ 3,511,047 | \$ 324,144 | \$ - | \$ 324,144 | \$ 3,835,191 |
| Direct program | 130,122 | 102,650 | 232,772 | - | - | - | 232,772 |
| Churchwide resources | 155,267 | 4,888 | 160,155 | - | - | - | 160,155 |
| Donations and giving | 1,914,848 | 15,457 | 1,930,305 | - | - | - | 1,930,305 |
| Administration | 205,609 | 24,908 | 230,517 | 25,325 | - | 25,325 | 255,842 |
| Marketing and communication | 42,636 | 5,719 | 48,355 | - | 36,373 | 36,373 | 84,728 |
| Volunteer training and appreciation | 87,350 | - | 87,350 | 6,546 | - | 6,546 | 93,896 |
| Repairs and maintenance | 319,468 | 145,316 | 464,784 | 35,889 | - | 35,889 | 500,673 |
| Depreciation | 409,154 | 165,209 | 574,363 | 45,964 | - | 45,964 | 620,327 |
| Utilities | 170,714 | 71,000 | 241,714 | 19,178 | - | 19,178 | 260,892 |
| Equipment | 29,938 | 17,113 | 47,051 | 3,363 | - | 3,363 | 50,414 |
| Supplies | 283,849 | 22,285 | 306,134 | 34,961 | - | 34,961 | 341,095 |
| Technology | 210,305 | - | 210,305 | 25,903 | - | 25,903 | 236,208 |
| Insurance and property tax | 39,127 | 15,799 | 54,926 | 4,396 | - | 4,396 | 59,322 |
| Professional fees and contract | 58,220 | 582 | 58,802 | 7,171 | - | 7,171 | 65,973 |
| Taxes and fees | 90,354 | 5,507 | 95,861 | - | - | - | 95,861 |
| Total functional expenses | \$ 6,778,654 | \$ 1,475,787 | \$ 8,254,441 | \$ 532,840 | \$ 36,373 | \$ 569,213 | \$ 8,823,654 |

See notes to consolidated financial statements.

Central Baptist Church (d/b/a Central Church)

Consolidated Statement of Cash Flows—Modified Cash Basis (Reviewed)

Year Ended July 31, 2023

See Independent Auditor's and Accountant's Report

| | |
|---|--------------------|
| Cash flows from operating activities: | |
| Change in net assets | \$ 1,900,732 |
| Adjustments to reconcile the change in net assets to net cash provided by operating activities: | |
| Net realized and unrealized gain on investment securities | (76,993) |
| Depreciation | 620,328 |
| Gain on disposal of property and equipment | (208,645) |
| Changes in operating assets and liabilities: | |
| Intercompany receivable | 1,161 |
| Prepaid expenses | (1,293) |
| Accrued expenses and other liabilities | 5,424 |
| Net cash provided by operating activities | 2,240,714 |
| Cash flows from investing activities: | |
| Purchases of investment securities | (9,886,036) |
| Sales or maturities of investment securities | 2,604,301 |
| Purchases of property and equipment | (1,417,698) |
| Proceeds from disposal of property and equipment | 208,645 |
| Net cash used in investing activities | (8,490,788) |
| Net decrease in cash and cash equivalents | (6,250,074) |
| Cash and cash equivalents: | |
| Beginning of year | 7,665,100 |
| End of year | \$ 1,415,026 |
| Supplemental schedule of noncash investing and financing activities: | |
| Accrued expenses incurred for purchases of property and equipment | \$ 306,127 |

See notes to consolidated financial statements.

Central Baptist Church (d/b/a Central Church)

Notes to Consolidated Financial Statements

See Independent Auditor's and Accountant's Report

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Central Baptist Church (d/b/a Central Church)'s (the Church) mission is dedicated to spreading God's word through establishing, developing, and promoting all aspects of the Church's ministry within Sioux Falls, South Dakota, and the surrounding communities. The Church also operates a school for preschool and kindergarten-age children located on the Church's campus in Sioux Falls, South Dakota.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of the Central Baptist Church and the Central Baptist Church Foundation. All material intercompany balances and transactions are eliminated in consolidation. The Central Baptist Church Foundation (the Foundation) receives gifts to expend for the support of the activities of the Central Baptist Church.

Basis of accounting: The Church's accounts are maintained, and these consolidated financial statements are presented, on a modified cash basis method of accounting under which only revenues collected, costs and expenses paid, liabilities and net assets arising as a result of cash transactions or from the acquisition of long-lived assets, a provision for depreciation and write-offs of assets that have been acquired for cash are recognized. Therefore, accrued income and expenses, payables and deferred expenses, which may be material in amount, are not reflected, and these consolidated financial statements are not intended to present financial statements that are in conformity with accounting principles generally accepted in the United States of America.

Net assets without donor restrictions: Net assets without donor restrictions are available for general use and not subject to donor restrictions. These net assets include expendable funds available for the support of the Church. These net assets may also include Board-designated amounts.

Net assets with donor restrictions: These net assets consist of donor-imposed restrictions that are temporary in nature and may or will be met, either by actions of the Church and/or the passage of time, or other donor-imposed restrictions that are perpetual in nature, where the donor stipulated those resources be maintained in perpetuity.

Use of estimates: The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. An estimate significant to the financial statement is the fair value of investments.

Revenue recognition: Program revenues are recognized upon receipt of payment. Performance of service is not considered when recognizing program revenue.

Contributions: Contributions are recognized as revenue in the period the offering is received at their fair value. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, donor-restricted net assets are reclassified as unrestricted net assets and reported as net assets released from restrictions.

Contributed services: Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recognized at their estimated fair market values at the date they are received. These services are included in revenue and the related expense accounts. A significant number of volunteers have donated their time to the Church's program services for which no revenue or expense is recorded because the Church does not pay for such services.

Central Baptist Church (d/b/a Central Church)

Notes to Consolidated Financial Statements

See Independent Auditor's and Accountant's Report

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Cash and cash equivalents: For purposes of reporting cash flows, the Church considers highly liquid securities with an original maturity of three months or less to be cash equivalents. Cash equivalents include money market accounts. The Church may maintain account balances that are in excess of federally insured limits of \$250,000. The Church has not experienced any losses on such accounts.

Investments: Investments in equity securities with readily determinable fair values and all debt securities are presented in the consolidated financial statements at fair value, with gains and losses included in the consolidated statement of activities. Fair values are based upon quoted market prices. If quoted market prices are not available, fair values are based upon quoted market prices of comparable instruments or by discounted cash flow models. Net gains on investments carried at fair value include realized and unrealized gains and losses.

Property and equipment: Property and equipment is recorded at cost or at fair value at the time of donation for those assets over \$20,000 and with a useful life greater than one year. Expenses for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

| | Years |
|-----------------------------------|-------|
| Land improvements | 15 |
| Buildings and improvements | 15-40 |
| Furniture, fixtures and equipment | 5-10 |

Long-lived assets: The Church reviews its long-lived assets used in operations for recoverability whenever an event triggering impairment may have occurred. If a triggering event is identified, the future undiscounted cash flows expected to be generated by the asset group are compared to the carrying value of the asset group. If the carrying value is not recoverable on an undiscounted cash flow basis, an impairment loss would be recorded to the extent that the carrying value exceeds the asset group's fair value. The Church determined there was no impairment of long-lived assets for the year ended July 31, 2023.

Functional expenses: The consolidated statement of functional expenses presents the natural classification detail of expense by function. Expenses that are directly related to programs, management and general, or fundraising activities are assigned to that activity. For certain expenses attributable to more than one activity, management determines a reasonable basis of allocation based upon the specific nature of those expenses. Repairs and maintenance, depreciation, utilities, equipment, and insurance and property tax are allocated on a square footage basis, while salaries and benefits, staff resources, supplies, technology, and professional fees and contract are allocated on the basis of estimates of time and effort spent in each activity.

Income taxes: The Central Baptist Church and the Central Baptist Church Foundation are organized under Section 501(c)(3) of the Internal Revenue Code. The organizations are exempt from income taxes. As the Church is included in a group ruling issued to Converge Worldwide, the Church has determined it is not required to file informational returns with the Internal Revenue Service (IRS). Management has determined that the Church is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. The Church is subject to income tax examinations by tax authorities for the entire period since incorporation.

Central Baptist Church (d/b/a Central Church)

Notes to Consolidated Financial Statements

See Independent Auditor's and Accountant's Report

Note 1. Nature of Business and Significant Accounting Policies (Continued)

The Foundation files Form 990 returns in the U.S. federal jurisdiction. The Foundation is no longer subject to U.S. federal income tax examinations by taxing authorities beyond three years. The Foundation has no federal or state tax examinations current in process.

The Church believes that it has appropriate support for any tax positions taken affecting its annual filing requirements and, as such, does not have any uncertain tax positions that are material to the financial statements. The Church would recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense, if incurred.

Accounting pronouncements: Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, is effective beginning August 1, 2022. The objective of this ASU is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. Under the modified cash basis of accounting, the Church opted not to adopt this guidance.

Effective August 1, 2022, the Church adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. The ASU also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. Adoption of this guidance did not have a material impact on the Church's financial position, operating results, or disclosures.

Recent accounting pronouncement not yet adopted: In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Among other things, these amendments require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Impacted organizations will now use forward-looking information to better inform their credit loss estimates. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The new standard is effective for the Church for fiscal year beginning August 1, 2023. Management is currently evaluating this ASU and its potential impact on the consolidated financial statements.

Subsequent events: The Church has evaluated subsequent events through December 11, 2023, the date on which the consolidated financial statements were available to be issued.

Central Baptist Church (d/b/a Central Church)

Notes to Consolidated Financial Statements

See Independent Auditor's and Accountant's Report

Note 2. Liquidity and Availability

The Church regularly monitors liquidity required to meet its operating, grant-making and other contractual obligations while also striving to maximize the return on investment funds. The Church has various sources of liquidity at its disposal, including cash and cash equivalents, debt securities and equity securities.

Financial assets as of July 31, 2023:

| | |
|---------------------------|------------------|
| Cash and cash equivalents | \$ 1,415,026 |
| Investment securities | <u>7,507,568</u> |
| Total financial assets | <u>8,922,594</u> |

Less amounts not available to be used within one year:

| | |
|---|---------------------|
| Nonspendable portion of endowments and quasi-endowments | 325,902 |
| Remaining designated net assets | <u>4,307,142</u> |
| Financial assets available to meet general expenditures within one year | <u>\$ 4,289,550</u> |

The Church's goal is generally to maintain financial assets to meet 120 days of operating expenses. As of July 31, 2023, the Church had current available financial assets on hand of approximately 177 days.

Note 3. Investments

Investments consist of the following as of July 31, 2023:

| | Cost | Fair Value |
|---------------------------------|---------------------|---------------------|
| Equity securities—mutual funds | \$ 1,528,930 | \$ 1,543,022 |
| Debt securities—U.S. treasuries | <u>5,897,726</u> | <u>5,964,546</u> |
| | <u>\$ 7,426,656</u> | <u>\$ 7,507,568</u> |

Investment income for the year ended July 31, 2023, consists of the following components:

| | |
|---|-------------------|
| Interest and dividends | \$ 157,602 |
| Net realized and unrealized gain on investments | <u>76,993</u> |
| | <u>\$ 234,595</u> |

Investment fees of \$300 are netted against investment income above for the year ended July 31, 2023.

Central Baptist Church (d/b/a Central Church)

Notes to Consolidated Financial Statements

See Independent Auditor's and Accountant's Report

Note 4. Fair Value Measurements

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. The standards provide a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standards are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Church has the ability to access.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Inputs to the valuation methodology are unobservable, corroborated by little or no market data and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table summarizes by level, within the fair value hierarchy, the Church's assets that are measured at fair value on a recurring basis as of July 31, 2023:

| | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------|---------------------|-------------|-------------|---------------------|
| Equity securities—mutual funds | \$ 1,543,022 | \$ - | \$ - | \$ 1,543,022 |
| Debt securities—U.S. treasuries | 5,964,546 | - | - | 5,964,546 |
| Total investments | <u>\$ 7,507,568</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,507,568</u> |

Central Baptist Church (d/b/a Central Church)

Notes to Consolidated Financial Statements
See Independent Auditor's and Accountant's Report

Note 5. Leases

The Church leases the downtown preschool building under a lease expiring March 31, 2028. Total rent expense included in the consolidated statement of activities and changes in net assets for the year ended July 31, 2023, was \$18,800.

Future minimum lease payments as of July 31, 2023, are as follows:

| | |
|-----------------------|-------------------|
| Years ending July 31: | |
| 2024 | \$ 56,776 |
| 2025 | 57,912 |
| 2026 | 59,070 |
| 2027 | 60,251 |
| 2028 | 40,699 |
| Total | <u>\$ 274,708</u> |

Note 6. Board-Designated Net Assets

Net assets are subject to the following Board designations as of July 31, 2023:

| | |
|--|---------------------|
| Ministry Fund: | |
| Operating emergency | \$ 1,727,799 |
| Building renewal fund (discretionary) | 558,420 |
| Ministry/kingdom opportunity fund | 1,976,762 |
| Technology renewal fund | 23,138 |
| Building emergency and structure fund (nondiscretionary) | 210,408 |
| Future missionary launch | 22,779 |
| | <u>\$ 4,519,306</u> |

Central Baptist Church (d/b/a Central Church)

Notes to Consolidated Financial Statements
See Independent Auditor's and Accountant's Report

Note 7. Net Assets With Donor Restrictions

Net assets are subject to the following donor restrictions as of July 31, 2023:

Ministry Fund:

| | |
|----------------------------|----------------|
| Specified missionary fund | \$ 600 |
| Benevolent | 26,516 |
| Kids central | 12,196 |
| Student central | 1,630 |
| Downtown | 12,495 |
| Downtown children | 200 |
| Woven ministries | 6,117 |
| Child sponsorship | 8,154 |
| Ethiopia school project | 1,243 |
| Love gift | 1,262 |
| R. Anderson internship | 14,362 |
| Building maintenance fund | 134,434 |
| NG10 | 1,046 |
| Ethiopia mission trip | 2,650 |
| General restricted expense | 2,692 |
| High school | 16,314 |
| Student savings | 4,396 |
| The Timothy Initiative | 1,950 |
| Ethiopia | 32,274 |
| | <u>280,531</u> |

Preschool Fund:

| | |
|-----------------------------|---------------|
| Scrip and other fundraisers | <u>75,825</u> |
|-----------------------------|---------------|

Central Baptist Church Foundation:

| | |
|------------------|-------------------|
| Hoehl fund | 5,123 |
| Luke fund | 30,186 |
| Ada Downs fund | 39,197 |
| Bridge Loan fund | 39,232 |
| | <u>113,738</u> |
| | <u>\$ 470,094</u> |

Net assets released from restriction primarily relate to Benevolent and The Timothy Initiative, for which the purposes have been fulfilled.

Central Baptist Church (d/b/a Central Church)

Notes to Consolidated Financial Statements

See Independent Auditor's and Accountant's Report

Note 8. Endowment Funds

The Church's endowment funds consist of various donor-restricted endowment funds and funds designated as endowments by the Church's board of trustees. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Church has four permanently donor-restricted funds as of July 31, 2023. The donors of these funds stipulated that the principal be invested and that only the income from the funds be used for the restricted purpose.

The Church's management has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the 2007 South Dakota legislature as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Church classifies as net assets with donor restrictions the fair value of the perpetual trust, as well as: (a) the original value of other gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund (historic dollar value). In addition, the portion of the donor-restricted endowment fund that is not classified as permanent is retained until those amounts are appropriated for expenditure by the Church in a manner consistent with the standard of prudence prescribed by the state of South Dakota in its enacted version of UPMIFA. In accordance with UPMIFA, the Church considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the endowment fund; (2) the purposes of the Church and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Church and (7) the investment policies of the Church.

The Church has adopted investment and spending policies for its endowment funds. The objective of these policies is to provide the Church a predictable funding stream for its programs while protecting the purchasing power of the endowment fund. The Church, through its investment policy, has established a target rate of return over the long term, net of spending, to grow the portfolio at a rate greater than inflation. The total return during any single measurement period may deviate from the long-term return objective. To satisfy its long-term rate-of-return objective, the Church expects to maintain appropriate diversification among equity and fixed income allocations. The purpose is to moderate the overall investment risk of the endowment fund.

The board of trustees of the Church may appropriate for expenditure or accumulate so much of the endowment fund as the Church determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. The amount appropriated, the spending policy, is a Board-approved percentage applied to the average fair value of the endowment fund assets during the prior 12 quarters. In cases where the fair value of endowment fund assets fall below the original value of the gifts donated to the permanent endowment, appropriation of gifts will not be made if such appropriation would reduce any gift below its historic-dollar value threshold; however, appropriations may be made from quasi-endowment funds in an amount equivalent to an appropriation that would otherwise be allowable, but for the below historic-dollar-value condition. The board of trustees approved spending percentage was to not exceed 4% for the year ended July 31, 2023.

Central Baptist Church (d/b/a Central Church)**Notes to Consolidated Financial Statements**
See Independent Auditor's and Accountant's Report

Note 8. Endowment Funds (Continued)

The following table summarizes endowment funds by net asset composition and type of fund as of July 31, 2023:

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
|----------------------------------|---|--|-------------------|
| Donor-restricted endowment funds | \$ - | \$ 113,738 | \$ 113,738 |
| Board-designated endowment funds | 212,164 | - | 212,164 |
| | <u>\$ 212,164</u> | <u>\$ 113,738</u> | <u>\$ 325,902</u> |

The following table summarizes the changes in endowment net assets for the year ended July 31, 2023:

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
|---|---|--|-------------------|
| Endowment net assets, beginning of year | \$ 39,425 | \$ 107,378 | \$ 146,803 |
| Investment return | 9,359 | 6,416 | 15,775 |
| Contributions | 164,867 | - | 164,867 |
| Distributions | (1,487) | (56) | (1,543) |
| Endowment net assets, end of year | <u>\$ 212,164</u> | <u>\$ 113,738</u> | <u>\$ 325,902</u> |

Note 9. Employee Benefits

The Church maintains a 403(b) tax deferred annuity plan (the Plan), covering all full-time employees. The Church makes a discretionary contribution of 5% of the participant's compensation. Plan expenses for the year ended July 31, 2023, were \$114,835.

Independent Auditor's and Accountant's Report on the Supplementary Information

Board of Trustees
Central Baptist Church

Independent Auditor's Report on the Supplementary Schedule of Consolidating Statement of Financial Position—Modified Cash Basis

We have audited the consolidated statement of financial position—modified cash basis of Central Baptist Church d/b/a Central Church (the Church) as of July 31, 2023, and have issued our report thereon, which contains an unmodified opinion on the consolidated statement of financial position—modified cash basis. See pages 1 to 3. Our audit was conducted for the purpose of forming an opinion on the consolidated statement of financial position—modified cash basis as a whole. The consolidating schedule of financial position—modified cash basis is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating information as of July 31, 2023, has been subjected to the auditing procedures applied in the audit of the consolidated statement of financial position—modified cash basis and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated statement of financial position—modified cash basis, or to the consolidated statement of financial position—modified cash basis itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information as of July 31, 2023, is fairly stated in all material respects in relation to the consolidated statement of financial position—modified cash basis as a whole.

Independent Accountant's Report on the Supplementary Consolidating Schedule of Activities and Changes in Net Assets—Modified Cash Basis

The consolidating schedule of activities and changes in net assets—modified cash basis for the year ended July 31, 2023, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the review procedures applied in our review of the consolidated statement of activities and changes in net assets—modified cash basis. We are not aware of any material modifications that should be made to that information. We have not audited that information and do not express an opinion on it.

RSM US LLP

Sioux Falls, South Dakota
December 11, 2023

Central Baptist Church (d/b/a Central Church)

Consolidating Schedule of Financial Position—Modified Cash Basis

July 31, 2023

See Independent Auditor's and Accountant's Report on the Supplementary Information

| | Ministry Fund | Preschool Fund | Central Baptist Church Foundation | Eliminations | Consolidated |
|---|----------------------|-------------------|--------------------------------------|--------------------|----------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 1,125,071 | \$ 289,955 | \$ - | \$ - | \$ 1,415,026 |
| Investments | 7,179,573 | - | 327,995 | - | 7,507,568 |
| Intercompany receivables | 31,656 | - | - | (31,656) | - |
| Prepaid expenses | 4,790 | 799 | - | - | 5,589 |
| Property and equipment: | | | | | |
| Land and improvements | 2,534,233 | - | - | - | 2,534,233 |
| Buildings | 16,943,452 | - | - | - | 16,943,452 |
| Furniture, fixtures and equipment | 1,684,637 | - | - | - | 1,684,637 |
| Total property and equipment | 21,162,322 | - | - | - | 21,162,322 |
| Less accumulated depreciation | (9,696,888) | - | - | - | (9,696,888) |
| Net property and equipment | 11,465,434 | - | - | - | 11,465,434 |
| Total assets | \$ 19,806,524 | \$ 290,754 | \$ 327,995 | \$ (31,656) | \$ 20,393,617 |
| Liabilities and Net Assets | | | | | |
| Liabilities: | | | | | |
| Accrued expenses and other liabilities | \$ 358,347 | \$ - | \$ - | \$ - | \$ 358,347 |
| Intercompany payables | - | 31,656 | - | (31,656) | - |
| Total liabilities | 358,347 | 31,656 | - | (31,656) | 358,347 |
| Net assets: | | | | | |
| Without donor restrictions: | | | | | |
| Undesignated | 14,648,340 | 183,273 | 214,257 | - | 15,045,870 |
| Designated | 4,519,306 | - | - | - | 4,519,306 |
| | 19,167,646 | 183,273 | 214,257 | - | 19,565,176 |
| With donor restrictions | 280,531 | 75,825 | 113,738 | - | 470,094 |
| Total net assets | 19,448,177 | 259,098 | 327,995 | - | 20,035,270 |
| Total liabilities and net assets | \$ 19,806,524 | \$ 290,754 | \$ 327,995 | \$ (31,656) | \$ 20,393,617 |

Central Baptist Church (d/b/a Central Church)

**Consolidating Schedule of Activities and Changes in Net Assets—Modified Cash Basis
Year Ended July 31, 2023**

See Independent Auditor's and Accountant's Report on the Supplementary Information

| | Ministry Fund | Preschool Fund | Central Baptist Church Foundation | Eliminations | Consolidated |
|--|------------------|-------------------|--------------------------------------|------------------|-------------------|
| Revenue, gains and support: | | | | | |
| Contributions of cash and other financial assets | \$ 9,142,359 | \$ - | \$ 188,852 | \$ (25,257) | \$ 9,305,954 |
| Preschool tuition, fees and childcare revenue | - | 910,077 | - | (13,699) | 896,378 |
| Facility rental revenue | 94,970 | - | - | (72,500) | 22,470 |
| Miscellaneous income | 56,344 | - | - | - | 56,344 |
| Investment income | 215,679 | 3,356 | 15,560 | - | 234,595 |
| Gain on disposal of property and equipment | 153,077 | 55,568 | - | - | 208,645 |
| Total revenue, gains and support | 9,662,429 | 969,001 | 204,412 | (111,456) | 10,724,386 |
| Expenses: | | | | | |
| Salaries and benefits | 2,969,536 | 879,354 | - | (13,699) | 3,835,191 |
| Direct program | 130,122 | 148,050 | - | (45,400) | 232,772 |
| Churchwide resources | 155,267 | 4,888 | - | - | 160,155 |
| Donations and giving | 1,914,848 | 15,457 | - | - | 1,930,305 |
| Administration | 230,934 | 52,008 | - | (27,100) | 255,842 |
| Marketing and communication | 42,636 | 42,092 | - | - | 84,728 |
| Volunteer training and appreciation | 93,896 | - | - | - | 93,896 |
| Repairs and maintenance | 355,357 | 145,316 | - | - | 500,673 |
| Depreciation | 455,118 | 165,209 | - | - | 620,327 |
| Utilities | 189,892 | 71,000 | - | - | 260,892 |
| Equipment | 33,301 | 17,113 | - | - | 50,414 |
| Supplies | 318,810 | 22,285 | - | - | 341,095 |
| Technology | 236,208 | - | - | - | 236,208 |
| Insurance and property tax | 43,523 | 15,799 | - | - | 59,322 |
| Professional fees and contract | 65,391 | 582 | - | - | 65,973 |
| Taxes and fees | 90,354 | 5,507 | - | - | 95,861 |
| Distributions to ministry fund | - | - | 25,257 | (25,257) | - |
| Total expenses | 7,325,193 | 1,584,660 | 25,257 | (111,456) | 8,823,654 |
| Transfers in | - | 566,220 | - | (566,220) | - |
| Transfers out | (566,220) | - | - | 566,220 | - |
| Total transfers | (566,220) | 566,220 | - | - | - |
| Change in net assets | 1,771,016 | (49,439) | 179,155 | - | 1,900,732 |
| Net assets: | | | | | |
| Beginning | 17,677,161 | 308,537 | 148,840 | - | 18,134,538 |
| Ending | \$ 19,448,177 | \$ 259,098 | \$ 327,995 | \$ - | \$ 20,035,270 |