James L. Ulvog
Certified Public Accountant

Accounting and Auditing for the
Nonprofit Community

GLENKIRK CHURCH

FINANCIAL STATEMENTS

With Independent Accountant's Report

August 31, 2017 and 2016

GLENKIRK CHURCH

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IJ

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Independent Accountant's Review Report

Session
Glenkirk Church
Glendora, California

I have reviewed the accompanying financial statements of Glenkirk Church (a non-for-profit organization), which comprise the statement of financial position as of August 31, 2017, and the related statements of activities 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 company 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, I do not express such an opinion.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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
My 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 AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with U.S. generally accepted accounting principles. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion
Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with U.S. generally accepted accounting principles.

James L. Ulvog
Certified Public Accountant

Accounting and Auditing for the
Nonprofit Community

Other Matter
The August 31, 2016 financial statements were audited by me, and I expressed an unmodified opinion on them in my report dated March 21, 2017. I have not performed any auditing procedures since that date.

James L. Ulvog

August 3, 2018

Glenkirk Church

Statement of Financial Position

See Independent Accountant's Review Report

	August 31, (reviewed) 2017	(audited) 2016
Current Assets:		
Cash	$ 674,957	$ 674,829
Prepaid assets	10,139	22,332
Total Current Assets	685,096	697,161
Cash Restricted by Donors for Buildings and Equipment (Note 2)	808,811	618,207
Land, Buildings, and Equipment - at cost, net (Note 3)	7,062,484	7,380,040
Total Assets	$ 8,556,391	$ 8,695,408
LIABILITIES AND NET ASSETS		
Liabilities:		
Current liabilities:		
Accounts payable	$ 45,129	$ 66,363
Accrued expenses	83,278	91,086
Current portion of capital leases payable (Note 5)	31,140	29,773
Current portion of long term debt (Note 4)	6,226	5,861
Total current liabilities	165,773	193,083
Capital Leases Payable, Net of Current Portion (Note 5)	-	31,140
Long Term Debt, Net of Current Portion (Note 4)	284,270	292,581
Total Liabilities	450,043	516,804
Net Assets:		
Unrestricted:		
Undesignated	374,987	375,919
Net investment in land, buildings, and equipment	6,726,747	7,020,685
Total unrestricted net assets	7,101,734	7,396,604
Temporarily restricted (Notes 6 and 12)	1,004,614	782,000
Total Net Assets	8,106,348	8,178,604
Total Liabilities and Net Assets	$ 8,556,391	$ 8,695,408

See notes to financial statements

Glenkirk Church

Statement of Activity

See Independent Accountant's Review Report

	Twelve months Ended August 31, 2017 (reviewed)			Twenty Months Ended August 31, 2016 (audited)		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	$ 1,903,849	$ 320,654	$ 2,224,503	$ 3,867,374	$ 1,548,298	$ 5,415,672
Program revenue	139,897	-	139,897	331,490	-	331,490
Other income	81,717	-	81,717	130,167	-	130,167
Net assets released from restrictions:						
Capital improvements	17,304	(17,304)	-	1,716,682	(1,716,682)	-
Missions, deacons, and other projects	80,736	(80,736)	-	257,733	(257,733)	-
Total Support and Revenue	2,223,503	222,614	2,446,117	6,303,446	(426,117)	5,877,329
EXPENSES:						
Salary and benefits	1,324,242	-	1,324,242	2,737,542	-	2,737,542
Missions	190,679	-	190,679	550,001	-	550,001
Ministry programs	260,869	-	260,869	695,258	-	695,258
Occupancy costs	183,400	-	183,400	354,862	-	354,862
Other expenses	195,022	-	195,022	324,105	-	324,105
Depreciation	364,161	-	364,161	546,295	-	546,295
Total Expenses	2,518,373	-	2,518,373	5,208,063	-	5,208,063
Change in Net Assets	(294,870)	222,614	(72,256)	1,095,383	(426,117)	669,266
Net Assets, Beginning of Year	7,396,604	782,000	8,178,604	6,301,221	1,208,117	7,509,338
Net Assets, End of Year	$ 7,101,734	$ 1,004,614	$ 8,106,348	$ 7,396,604	$ 782,000	$ 8,178,604

See notes to financial statements

Glenkirk Church

Statement of Cash Flows

See Independent Accountant's Review Report

	Twelve Months Ended August 31, 2017 (reviewed)	Twenty Months Ended August 31, 2016 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (72,256)	$ 669,266
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	364,161	546,295
Other changes in receivables and payables:		
Donor contributions restricted for capital projects	(222,009)	(1,334,410)
Net change in prepaid assets	12,193	4,669
Net change in accounts payable	(21,234)	(48,796)
Net change in accrued expenses	(7,808)	(28,316)
Net Cash Provided (Used) by Operating Activities	53,047	(191,292)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from liquidation of short term investments	-	399,786
Additions to buildings and equipment	(46,605)	(1,932,649)
Net Cash Used by Investing Activities	(46,605)	(1,532,863)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Donor restrictions released when expended on capital projects	31,405	1,716,682
Payments on long term debt	(7,946)	(9,550)
Payments on capital leases	(29,773)	(46,743)
Net Cash (Used) Provided by Financing Activities	(6,314)	1,660,389
Increase (Decrease) in Cash	128	(63,766)
Cash, Beginning of Year	674,829	738,595
Cash, End of Year	$ 674,957	$ 674,829
OTHER SUPPLEMENTAL INFORMATION:		
Cash paid for interest	$ 14,955	$ 29,234
Non-cash transactions:		
Revision to capital lease which increased value of asset and amount of capital lease liability	$ -	$ 42,055

See notes to financial statements

GLENKIRK CHURCH

Notes to Financial Statements

August 31, 2017 (reviewed) and 2016 (audited)

See Independent Accountant's Review Report

1. NATURE OF ORGANIZATION:

Glenkirk Church (the Church) was incorporated in California in February 1957. As a tax-exempt organization, it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. Contributions by the public are deductible for income tax purposes. As a congregation of believers in Christ, the Church's mission is to lead uncommitted people to become fully devoted followers of Jesus Christ. This is accomplished through the public worship and instruction in the Christian religion according to Reformed theology, and includes the taking of offerings, maintaining church property and caring for the poor, old, infirm, orphan children, and the needy.

For the year ended August 31, 2017 (reviewed) and the twenty months ended 2016 (audited), contributions were approximately 91% and 92% of total support and revenue, respectively. Most of the members and donors are from the city of Glendora, California and surrounding communities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Church have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. This body of knowledge is also referred to as "GAAP" and can be located in the *Accounting Standards Codification*™, prepared by the *Financial Accounting Standards Board*. A summary of the significant accounting policies is described below to enhance the usefulness of the financial statements to the reader.

CHANGE IN FISCAL YEAR

During the 2015 calendar year, the Church changed its fiscal year end from December 31 to August 31. As a result, the accompanying financial statements present the results of activities and cash flows for the twelve month period ending August 31, 2017 (reviewed) and the twenty month period ended August 31, 2016 (audited).

CASH

For statements of financial position and cash flow purposes, cash includes amounts on hand and on deposit with financial institutions.

CASH RESTRICTED BY DONORS FOR BUILDING AND EQUIPMENT

Cash is reclassified from current to long term in an amount equal to the contributions restricted by donors for use in renovating the campus and purchasing equipment. Since these funds are not available for current operations, they are presented as a long-term asset.

LAND, BUILDINGS AND EQUIPMENT

Expenditures for land, buildings, and equipment are capitalized at cost. Expenditures greater than $1,000 and with useful life over one year are capitalized. Donated assets to be used in the ministry are capitalized at their fair market value on the date of the gift.

Depreciation of buildings and equipment is computed on the straight-line method over the estimated useful lives of the assets. The range of useful lives is 30 to 40 years for buildings and major renovations of buildings, from 5 to 10 years for equipment and vehicles.

NET ASSETS

The financial statements report amounts by classification of net assets as follows:

- Unrestricted amounts are those currently available at the discretion of the board for use in the Church's operations and those resources invested in land, buildings, and equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: - continued

- Temporarily restricted amounts are those which are specified by donors for specific operating purposes, the purchase of equipment, or a major capital campaign. As of August 31, 2017 (reviewed) and 2016 (audited), the temporarily restricted balances predominantly represent funds to be used in future construction.

SUPPORT, REVENUE, AND EXPENSES
Contributions received are recorded as unrestricted or temporarily restricted depending on the existence and nature of any donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to legal restrictions.

The Church records contributions as temporarily restricted if they are received with donor stipulations that limit their use through either purpose or time restrictions or both. When donor restrictions expire – that is, when the purpose restriction is fulfilled or the time restriction expires – temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activity as net assets released from restrictions. Contributions restricted to the purchase of property or equipment are considered to be met when the asset is placed in service.

Contributions are recorded when cash or unconditional promises-to-give have been received or ownership of donated assets to be used directly in the operations is transferred to the Church. Goods given to the Church that do not have an objective basis for valuation are not recorded.

When the income is expended in accordance with the donor imposed restriction, it is reclassified to unrestricted net assets.

Other revenue is recorded when earned.

FUNCTIONAL ALLOCATION OF EXPENSES
The costs of providing the various program services and supporting activities have been summarized on a functional basis in a note to the financial statements. Certain costs, such as depreciation and payroll, have been allocated among the program services and supporting activities.

ALLOCATION OF JOINT COSTS
GAAP requires all costs which contain any fundraising appeal to be allocated to fundraising unless three tests are met: purpose, audience, and content. In the twelve months ended August 31, 2017 (reviewed) and the twenty months ended August, 31, 2016 (audited), no costs were incurred which were subject to these allocation requirements.

DONATED SERVICES
GAAP requires the value of donated services be recorded if those donated services create or enhance nonfinancial assets or require specialized skills. Many volunteers have contributed significant amounts of their time to activities of the Church. However, since the above requirements were not met, the value of the contributed services is not recorded in the accompanying financial statements.

USE OF ESTIMATES
The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: - continued

ACCOUNTING FOR UNCERTAIN INCOME TAXES

GAAP requires organizations to evaluate whether there are any tax issues that have a 'more likely than not' possibility of resulting in an income tax liability. If there is such an income tax issue with that level of probability, GAAP requires accruing a liability for the likely amount of tax. As of August 31, 2017 (reviewed) and 2016 (audited), the Church has no uncertain tax positions that necessitate accrual of a liability.

DATE THROUGH WHICH SUBSEQUENT EVENTS ARE EVALUATED

The Church has evaluated through August 3, 2018 whether there are any subsequent events that should be considered for inclusion in these financial statements. That date is when the financial statements are available to be issued.

RECENT ACCOUNTING PRONOUNCEMENTS

In August 2016, the FASB issued ASU 2016-14, ***Presentation of Financial Statements of Not-for-Profit Entities***, which makes targeted changes to the not-for-profit financial reporting model. The most visible change will be the existing three-category classification of net assets (i.e. unrestricted, temporarily restricted, and permanently restricted) will be replaced with a model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions." Differences in the nature of donor restrictions will be disclosed in the notes, with an emphasis on how and when the resources can be used. The guidance for classifying deficiencies in endowment funds ("underwater endowments") is also clarified. New disclosures will highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. Entities will be required to disclose (on the face of the statement or in notes) which items on the statement of financial position are financial assets available to meet obligations within one year and any limitations that would preclude their current use. This ASU will be effective for fiscal years beginning after December 15, 2017 with early application permitted, which means it will first be required for the fiscal year ending August 31, 2019. This ASU should be applied on a retrospective basis in the year when the ASU is first applied. Management is evaluating the impact of this standard on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, ***Leases (Topic 842).*** Under this guidance, lessees will need to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. This new standard is effective for fiscal years beginning after December 15, 2018 with early application permitted. This means ASU 2016-02 will first be required for the fiscal year ending August 31, 2020. Management is evaluating the impact of this standard on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: - continued

In November 2016, the FASB issued ASU 2016-18, ***Statement of Cash Flows (Topic 230) - Restricted Cash.*** Prior to this guidance, the statement of cash flows explained the change in cash for the year. The amendment will require the statement of cash flow explain the change for the year of restricted cash plus cash and any other cash equivalents. For nonpublic entities this new standard will be effective for years beginning after December 15, 2018, with early adoption allowed. That means ASU 2016-18 will first be required for the fiscal year ending December 31, 2019. Management is evaluating the impact of this standard on the financial statements.

In June 2018, the FASB issued ASU 2018-08, ***Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made***. The changes will clarify and improve current guidance whether a receipt of assets is a contribution or revenue. The distinction will be based on whether the resource provider is receiving commensurate value. ASU 2018-08 will also clarify what factors make a contribution conditional. The general expectation from FASB is that more grants and contracts will be accounted for as contributions than would otherwise be the case under current accounting guidance. ASU 2018-08 will be implemented using either the modified prospective basis or retrospective application. Under the modified prospective basis, the changes will be applied to transactions that are either not complete as of the effective date or entered into after the effective date. For contributions received, ASU 2018-08 will be effective for fiscal years beginning after December 15, 2018 which means it will first be required for the fiscal year ending August 31, 2020. Early adoption is permitted. Management has not yet selected a transition method or an effective date and is currently evaluating the effect that the updated standard will have on the financial statements.

In May 2014, the FASB issued ASU 2014-09, ***Revenue from Contracts with Customers (Topic 606).*** The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects a consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is likely more judgment and estimates may be required within the revenue recognition process than is required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. Revenue from contributions and investment income are not impacted by this new standard. ASU 2014-09 will be effective for annual reporting periods beginning after December 15, 2019 using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. This means ASU 2014-09 will first be required for the fiscal year ending August 31, 2021. Management is currently evaluating the effect that the updated standard will have on the combined financial statements.

GLENKIRK CHURCH

Notes to Financial Statements

August 31, 2017 (reviewed) and 2016 (audited)

See Independent Accountant's Review Report

3. LAND, BUILDINGS, AND EQUIPMENT:
Land, buildings, and equipment consist of the following:

	August 31, 2017 (reviewed)	August 31, 2016 (audited)
Land and improvements	$ 2,540,526	$ 2,530,126
Buildings and improvements	9,992,979	9,991,239
Construction in progress	14,101	-
Equipment	834,426	814,062
Vehicles	51,283	51,283
Total land, buildings and equipment	13,433,315	13,386,710
Less accumulated depreciation	6,370,831	6,006,670
Land, buildings, and equipment, net	$ 7,062,484	$ 7,380,040
Less temporarily restricted net assets that have not been released	14,101	-
Less debt secured by assets	321,636	359,355
Net investment in land, buildings, and equipment	$ 6,726,747	$ 7,020,685

4. LONG TERM DEBT:
Long term debt consists of the following:

	August 31, 2017 (reviewed)	August 31, 2016 (audited)
Loan from a financial institution, secured by land and a residential building, with monthly payments of $1,598, including interest at 4.5%, maturing in June 2028.	$ 290,496	$ 298,442
Total long-term debt	290,496	298,442
Less current portion	6,226	5,861
Long-term portion	$ 284,270	$ 292,581

4. LONG TERM DEBT: - continued

Future minimum maturities on long term debt are as follows:

Year ending December 31,	
2018	$ 6,226
2019	6,512
2020	6,777
2021	7,122
2022	7,450
Thereafter	256,409
	$ 290,496

Interest expense was $12,823 and $22,803 for the twelve months ended August 31, 2017 (reviewed) and twenty months ended August 31 2016 (audited).

5. CAPITAL LEASES:

Capital leases payable consist of the following:

	August 31, 2017 (reviewed)	August 31, 2016 (audited)
Two copiers financed through capital lease with monthly payments of $2,361, maturing in 2018.	$ 28,333	$ 56,666
Phone equipment financed through capital lease with monthly payments of $298, maturing in 2018.	3,571	7,143
Total payments under capital leases	31,904	63,809
Less discount to present value	764	2,896
Present value of capital lease payments	31,140	60,913
Less current portion	31,140	29,773
Long-term portion	$ -	$ 31,140

Minimum noncancelable payments on the capital leases are as follows:

Year ending August 31,	
2018	$ 31,904
	$ 31,904

Interest expense was $2,132 and $6,431 for the twelve months ended August 31, 2017 (reviewed) and twenty months ended August 31, 2016 (audited).

5. CAPITAL LEASES: - continued
Assets acquired under the capital leases are categorized in the accompanying statement of financial position as equipment within the amount of land, buildings, and equipment. Amortization of the capital lease asset is categorized with depreciation.

6. NET ASSETS:
Temporarily restricted net assets are available for the following purposes:

	August 31, 2017 (reviewed)	August 31, 2016 (audited)
Renovation of buildings, construction, or purchase of equipment	$ 808,811	$ 618,207
Construction in progress not yet placed in service	14,101	-
Various operating projects	181,702	163,793
Total temporarily restricted net assets	$ 1,004,614	$ 782,000

7. FUNCTIONAL ALLOCATION OF EXPENSES:
Expenses by functional area are as follows:

	Twelve months ended August 31, 2017 (reviewed)	Twenty months ended August 31, 2016 (audited)
Program services	$ 2,400,435	$ 4,999,097
General and administrative	117,938	208,966
	$ 2,518,373	$ 5,208,063

8. LEASE EXPENSE:
The Church leases three pieces of office equipment under operating leases. The lease expirations range from November 2018 through June 2022.

Minimum noncancelable lease payments under the leases are as follows:

Year ending August 31,	
2018	$ 5,340
2019	3,924
2020	2,581
2021	2,145
2022	1,650
	$ 15,640

Lease expense for the twelve months ended August 31, 2017 (reviewed) and twenty months ended 2016 (audited) was $5,340 and $8,956, respectively.

9. RETIREMENT PLAN:
The Church provides a retirement benefit to specific staff members by contributing to their personal 403(b) retirement plan. Amounts are determined individually. Contributions were $19,045 and $38,234 for the twelve months ended August 31, 2017 (reviewed) and twenty months ended August 31, 2016 (audited).

10. CONCENTRATION:
As of August 31, 2017 (reviewed) and 2016 (audited), cash deposits in the amount of $348,892 and $425,655, respectively, are on deposit with financial institutions above the federal insurance and are therefore uninsured.

11. DEPARTURE OF SENIOR PASTOR:
In July 2016, the Church dissolved its call for the Senior Pastor.

12. CAMPAIGN TO RAISE FUNDS FOR RENOVATIONS AND CONSTRUCTION:
The Church has been raising funds since the year ended December 31, 2014 to pay for renovation and expansion of the facilities along with acquisition of various equipment. This project is known internally as the "Ever Greater" campaign. These contributions are classified as temporarily restricted in the accompanying financial statements.

The amount of funds raised and expended in the "Ever Greater" campaign, along with the temporarily restricted balances are as follows:

Temporarily restricted for renovation of buildings, construction, or purchase of equipment as of December 31, 2014.	$ 1,000,479
Temporarily restricted contributions during twenty months ended August 31, 2016.	1,334,410
Amount released for construction and acquisition of equipment during twenty months ended August 31, 2016.	(1,716,682)
Temporarily restricted for renovation of buildings, construction, or purchase of equipment as of August 31, 2016.	618,207
Temporarily restricted contributions during twelve months ended August 31, 2017.	222,009
Amount released for construction and acquisition of equipment during twelve months ended August 31, 2017.	(17,304)
Amount expended for construction in progress but which will not be released from temporarily restricted net assets until asset is placed in service.	(14,101)
Temporarily restricted for renovation of buildings, construction, or purchase of equipment as of August 31, 2017.	$ 808,811

Requests for contributions to the "Ever Greater" campaign ended during the twenty months ended August 31, 2016. As a result, the Church expects the last contributions to the campaign were received in the year ended August 31, 2017.

13. CONSTRUCTION PLANS:

As of August 31, 2018, the church has a contract to renovate one of the buildings on campus. This project is the last component of construction that has taken place in the previous several years. See Note 12. Estimated costs are approximately $540,000.

The owner of the construction company providing the renovation is a member of the leadership of the Church.