

Audited Financial Statements

Madison Park Church of God, Inc.

December 31, 2018 and 2017



LEMLERGROUP
certified public accountants

Madison Park Church of God, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Elders
Madison Park Church of God, Inc.
Anderson, Indiana

We have audited the accompanying financial statements of Madison Park Church of God, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, the statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Madison Park Church of God, Inc.'s preparation and fair presentation of the financial statements 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 Madison Park Church of God, Inc.'s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Madison Park Church of God, Inc. as of December 31, 2018 and 2017, and the results of its statements of activities and changes in net assets and cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Lemler Group, LLC
Indianapolis, Indiana

April 18, 2019

Madison Park Church of God, Inc.

Statements of Financial Position December 31, 2018 and 2017

	ASSETS	
	2018	2017
Current Assets		
Cash and cash equivalents	\$ 687,511	\$ 630,825
Accounts receivable, net of allowance	10,918	25,054
Prepaid expenses	200	26,517
Total current assets	698,629	682,396
 Property and equipment		
Land donated for sale	10,000	10,000
Land used for ministry	150,000	150,000
Buildings and improvements - Scatterfield Road	2,399,614	2,397,311
Buildings and improvements - Broadway	1,297,837	1,297,837
Furniture and fixtures	324,041	318,246
Vehicles	51,801	51,801
Total property and equipment	4,233,293	4,225,195
Accumulated depreciation	(2,953,529)	(2,904,506)
Net property and equipment	1,279,764	1,320,689
 Property and equipment - Madison Park		
Land for sale	900,000	900,000
Land used for ministry	1,106,405	1,106,405
Buildings and improvements	16,681,687	16,681,687
Furniture and fixtures	408,912	408,912
Total property and equipment - Madison Park	19,097,004	19,097,004
Accumulated depreciation	(5,528,335)	(5,084,254)
Net property and equipment - Madison Park	13,568,669	14,012,750
 Long-term assets		
Donated bonds	57,250	-
Bond issue cash requirements		
Sinking funds	229,120	206,946
Reserve account	95,660	95,660
Total long-term assets	382,030	302,606
 Total Assets	\$ 15,929,092	\$ 16,318,441

Madison Park Church of God, Inc.

Statements of Financial Position December 31, 2018 and 2017

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
Current Liabilities		
Accounts payable	\$ 88,339	\$ 147,219
Accrued payroll and other accrued expenses	41,550	41,620
Accrued interest payable	105,163	96,011
Debt payable - current portion	451,170	469,266
Capital lease payable - current portion	1,926	-
Deferred revenue	9,669	-
Total current liabilities	<u>697,817</u>	<u>754,116</u>
Long-Term Liabilities		
Debt payable, net of current portion	11,123,015	11,372,196
Capital lease payable, net of current portion	2,576	-
Total long-term liabilities	<u>11,125,591</u>	<u>11,372,196</u>
Total Liabilities	<u>11,823,408</u>	<u>12,126,312</u>
Net Assets		
Net assets without donor restrictions		
Undesignated	301,789	147,546
Designated for capital contingency	204,867	250,000
Designated for bond issue cash requirements	324,780	302,606
Net investment in capitalized bond costs	408,028	436,940
Net investment in property and equipment	2,866,220	3,055,037
Total Net Assets	<u>4,105,684</u>	<u>4,192,129</u>
Total Liabilities and Net Assets	<u>\$ 15,929,092</u>	<u>\$ 16,318,441</u>

Madison Park Church of God, Inc.

Statements of Activities and Changes in Net Assets For the Years Ended December 31, 2018 and 2017

	2018	2017
Revenue		
Tithes and offerings	\$ 3,722,096	\$ 3,681,153
Daycare fees	533,652	505,506
Registration fees	128,680	153,926
Facility usage	101,877	80,145
Other income	68,374	67,954
Fundraising	139,106	97,178
Total revenue	4,693,785	4,585,862
Operating Expenses		
Advertising and promotions	11,393	11,358
Bad debt	24,456	13,572
Bank and finance charges	52,735	48,447
Benevolence	3,570	23,307
Bibles, books and materials	7,254	11,086
Computer	16,842	23,234
Contributions and donations	181,374	224,456
Contract labor	6,601	14,628
Educational	16,706	16,374
Compensation and benefits	2,403,529	2,325,858
Equipment	9,742	11,939
Fundraising	21,724	17,422
Furnishings and decorations	973	7,441
Food, water and refreshments	131,365	140,700
Honoraria	19,690	15,314
Gifts and awards	5,506	5,671
Insurance	34,190	50,760
Interest	320,043	294,470
Postage and handling	8,211	12,728
Printing and publications	13,573	14,054
Professional fees	151,809	107,167
Rental	55,325	102,864
Repairs and maintenance	124,209	118,774
Scholarships and grants	992	625
Special events	67,330	74,785
Subscriptions, dues and fees	26,215	18,574
Supplies and maintenance	54,320	56,654
Taxes and fees	4,848	8,421
Toys, games and recreation	2,975	4,736
Travel	79,102	74,741
Utilities	241,807	246,136
Total operating expenses	4,098,409	4,096,296

Madison Park Church of God, Inc.

Statements of Activities and Changes in Net Assets (continued) For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Nonoperating Expenses		
Depreciation	\$ 504,867	\$ 359,837
Imputed interest	176,954	172,687
Total non-operating expenses	<u>681,821</u>	<u>532,524</u>
Total expenses	<u>4,780,230</u>	<u>4,628,820</u>
Net Decrease in Net Assets	(86,445)	(42,958)
Net Assets, Beginning of Year	<u>4,192,129</u>	<u>4,235,087</u>
Net Assets, End of Year	<u><u>\$ 4,105,684</u></u>	<u><u>\$ 4,192,129</u></u>

Madison Park Church of God, Inc.

Statement of Functional Expenses For the Year Ended December 31, 2018

	<u>Ministry</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2018 Total</u>
Operating Expenses				
Advertising and promotions	\$ -	\$ 11,393	\$ -	\$ 11,393
Bad debt	-	24,456	-	24,456
Bank and finance charges	-	52,735	-	52,735
Benevolence	3,570	-	-	3,570
Bibles, books and materials	7,254	-	-	7,254
Computer	16,842	-	-	16,842
Contributions and donations	181,374	-	-	181,374
Contract labor	6,601	-	-	6,601
Educational	16,706	-	-	16,706
Compensation and benefits	2,099,433	304,096	-	2,403,529
Equipment	9,742	-	-	9,742
Fundraising	-	-	21,724	21,724
Furnishings and decorations	973	-	-	973
Food, water and refreshments	131,365	-	-	131,365
Honoraria	19,690	-	-	19,690
Gifts and awards	5,506	-	-	5,506
Insurance	34,190	-	-	34,190
Interest	320,043	-	-	320,043
Postage and handling	8,211	-	-	8,211
Printing and publications	13,573	-	-	13,573
Professional fees	151,809	-	-	151,809
Rental	55,325	-	-	55,325
Repairs and maintenance	124,209	-	-	124,209
Scholarships and grants	992	-	-	992
Special events	67,330	-	-	67,330
Subscriptions, dues and fees	26,215	-	-	26,215
Supplies and maintenance	54,320	-	-	54,320
Taxes and fees	4,848	-	-	4,848
Toys, games and recreation	2,975	-	-	2,975
Travel	79,102	-	-	79,102
Utilities	241,807	-	-	241,807
Total operating expenses	<u>3,684,005</u>	<u>392,680</u>	<u>21,724</u>	<u>4,098,409</u>
Nonoperating Expenses				
Depreciation	-	504,867	-	504,867
Imputed interest	176,954	-	-	176,954
Total non-operating expenses	<u>176,954</u>	<u>504,867</u>	<u>-</u>	<u>681,821</u>
Total expenses	<u>\$ 3,860,959</u>	<u>\$ 897,547</u>	<u>\$ 21,724</u>	<u>\$ 4,780,230</u>

Madison Park Church of God, Inc.

Statement of Functional Expenses (continued) For the Year Ended December 31, 2017

	<u>Ministry</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2017 Total</u>
Operating Expenses				
Advertising and promotions	\$ -	\$ 11,358	\$ -	\$ 11,358
Bad debt	-	13,572	-	13,572
Bank and finance charges	-	48,447	-	48,447
Benevolence	23,307	-	-	23,307
Bibles, books and materials	11,086	-	-	11,086
Computer	23,234	-	-	23,234
Contributions and donations	224,456	-	-	224,456
Contract labor	14,628	-	-	14,628
Educational	16,374	-	-	16,374
Compensation and benefits	2,025,571	300,287	-	2,325,858
Equipment	11,939	-	-	11,939
Fundraising	-	-	17,422	17,422
Furnishings and decorations	7,441	-	-	7,441
Food, water and refreshments	140,700	-	-	140,700
Honoraria	15,314	-	-	15,314
Gifts and awards	5,671	-	-	5,671
Insurance	50,760	-	-	50,760
Interest	294,470	-	-	294,470
Postage and handling	12,728	-	-	12,728
Printing and publications	14,054	-	-	14,054
Professional fees	107,167	-	-	107,167
Rental	102,864	-	-	102,864
Repairs and maintenance	118,774	-	-	118,774
Scholarships and grants	625	-	-	625
Special events	74,785	-	-	74,785
Subscriptions, dues and fees	18,574	-	-	18,574
Supplies and maintenance	56,654	-	-	56,654
Taxes and fees	8,421	-	-	8,421
Toys, games and recreation	4,736	-	-	4,736
Travel	74,741	-	-	74,741
Utilities	246,136	-	-	246,136
Total operating expenses	<u>3,705,210</u>	<u>373,664</u>	<u>17,422</u>	<u>4,096,296</u>
Nonoperating Expenses				
Depreciation	-	359,837	-	359,837
Imputed interest	172,687	-	-	172,687
Total non-operating expenses	<u>172,687</u>	<u>359,837</u>	<u>-</u>	<u>532,524</u>
Total expenses	<u>\$ 3,877,897</u>	<u>\$ 733,501</u>	<u>\$ 17,422</u>	<u>\$ 4,628,820</u>

Madison Park Church of God, Inc.

Statements of Cash Flows For the Years Ended December 31, 2018 and 2017

	2018	2017
Reconciliation of changes in net assets to net cash provided by operating activities		
Change in net assets	\$ (86,445)	\$ (42,958)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation expense	504,867	359,837
Amortization of debt issuance costs	28,912	28,913
Daycare bad debt expense	24,456	13,572
Decrease (increase) in accounts receivable	(10,320)	73,184
Decrease (increase) in prepaid expenses	26,317	(21,420)
Decrease (increase) in donated bonds	(57,250)	-
Increase (decrease) in accounts payable	(58,880)	85,028
Increase (decrease) in accrued payroll and other accrued	(70)	(45,847)
Increase (decrease) in accrued interest payable	9,152	24,738
Increase (decrease) in deferred revenue	9,669	-
Net Cash Provided By Operating Activities	390,408	475,047
Cash Flow From Investing Activities		
Purchase of fixed assets	(19,861)	(18,197)
Change in bond issuance costs	(22,174)	115,512
Net Cash Provided By (Used In) Investing Activities	(42,035)	97,315
Cash Flow from Financing Activities		
Payments on debt payable	(296,189)	(400,381)
Proceeds on capital lease	5,795	-
Payments on capital lease	(1,293)	-
Net Cash Used In Financing Activities	(291,687)	(400,381)
Net Increase in Cash and Cash Equivalents	56,686	171,981
Cash and Cash Equivalents, Beginning of Year	630,825	458,844
Cash and Cash Equivalents, End of Year	\$ 687,511	\$ 630,825
Supplemental Disclosure		
Cash paid for interest	\$ 310,891	\$ 269,732
Imputed interest expense on interest free Series B and C bonds	\$ 176,954	\$ 172,687

Madison Park Church of God, Inc.

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

Note 1 – Nature of Activities

Background

Madison Park Church of God, Inc. (MPC) was formed as an Indiana not-for-profit organization on August 27, 1931 as North Anderson Church of God, located in Anderson, Indiana, and subsequently changed their name. MPC is dedicated to spreading the Gospel through establishing, developing, and promoting all aspects of ministry.

Programs

MPC has the following programs:

- Dove Harbor provides transitional housing and education programs in a supportive and nurturing, Christ-centered environment that invites growth toward spiritual and emotional wholeness, fostering a healing renewal of Faith, responsibility, and the achievement of life goals.
- Miriam Project is a Christian adoption service that, like the Miriam of biblical history, seeks to be directed by God, placing children in loving homes so that His plan for them might be fulfilled, as it was with Moses. Miriam was licensed in 1999.
- MPC Kid's Learning Center (North Kids) is a family-oriented childcare, serving children 6 weeks to 5 years old. The purpose is to serve the spiritual, physical, emotional, and developmental needs of children in a Christ-centered environment. This is accomplished by offering a quality daycare and preschool ministry to Anderson and surrounding areas.

Note 2 – Significant Accounting Policies

Accounting Method

MPC's financial statements were prepared on the accrual basis of accounting.

Adoption of Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations that follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two: net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by MPC, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for MPC's year ended December 31, 2018 and thereafter and must be applied on a retrospective basis. MPC adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues, expenses, and other changes during the reporting period. Actual results could differ from those estimates.

Subsequent Events

MPC evaluated subsequent events through April 18, 2019, which is the date the financial statements were available to be issued. This evaluation determined that there are no subsequent events that necessitated further disclosure in and/or adjustments to the accompanying financial statements.

Madison Park Church of God, Inc.

Note 2 – Significant Accounting Policies (continued)

Cash and Cash Equivalents

For the purpose of the statements of cash flows, MPC considers all highly liquid instruments with a maturity of three months or less to be considered cash and cash equivalents. The carrying amount of cash approximates fair value due to the type of investments and the maturity dates.

Accounts Receivable

Accounts receivable consists of donations in transit and North Kids' services. Donations in transit are weekly offerings and tithes that were deposited subsequent to year end.

North Kids' account balances are considered late if not paid by the Tuesday following the week of service. All late accounts are charged a late fee. Late fees and other fees collected against outstanding account balances are reported as revenue when received. Amounts deemed uncollectible due to the age of the receivable are written off. This is reviewed on a case by case basis. An allowance of approximately \$49,240 and \$25,225 was reported for estimated uncollectible accounts as of December 31, 2018 and 2017, respectively. The allowance is based on the level of accounts receivable and bad debt expense experienced during the year, as well as management's evaluation of collectability. Bad debt expense for the years ended December 31, 2018 and 2017 was \$24,456 and \$13,572, respectively.

Land Donated For Sale

Land donated for sale consists of a wooded Indiana lot at December 31, 2015 which is reported at fair value on the date of donation and held at the lower of cost or fair value.

Property and Equipment

Items greater than \$1,000 are capitalized as property and equipment and are recorded at cost. Property and equipment donated to MPC are valued at fair market value at the time of the gift. MPC reports donations of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Prior to 1987, MPC did not maintain detailed records of property and equipment. Accordingly, the cost of such assets purchased prior to 1987 cannot be verified. Estimates are used to approximate cost. All assets purchased after 1987 are reported at cost and depreciated over their estimated useful lives ranging from five to sixty years using the straight-line method. The Broadway facility property is reported at appraised value and depreciated over its remaining estimated useful life using the straight-line method.

MPC has a facility on Scatterfield Road in Anderson, Indiana. The outstanding debt on this property was included in the new mortgage bonds and promissory note. Currently, MPC rents the Scatterfield Road campus to another church and Headstart organization. These rental agreements began in 2017 and continue for five years.

MPC sold the facility on Cross Street in Anderson, Indiana in 2016. Proceeds were used to pay down the OSK and Series A Bonds balances. When MPC refinanced its debt in 2007 and 2013, the outstanding debt on this property was included in the new mortgage bonds and promissory note.

As of December 31, 2018 and 2017, MPC's adjacent land totaling approximately 101 acres is listed for sale. This land held for sale is reported at the September 2012 appraised value.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the straight-line method. Generally accepted accounting principles require that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not material to the financial statements for the years ended December 31, 2018 and 2017.

Madison Park Church of God, Inc.

Note 2 – Significant Accounting Policies (continued)

Net Assets

The financial statements were prepared in accordance with Financial Statements of Not-for-Profit Organizations. This requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are classified as either without or with donor restrictions. The following class of net assets and a brief description is as follows:

Net Assets Without Donor Restrictions – These amounts are not subject to usage restrictions based on donor-imposed requirements and include general assets and liabilities of MPC. These amounts also include previously restricted assets where restrictions were met or expired. The net assets without donor restrictions may be used freely at the direction of management to support MPC's purpose and operations. Certain unrestricted net assets are broken out as follows:

Net Assets With Donor Restrictions – These amounts are subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by management's actions. Certain assets may be restricted in perpetuity. When a restriction expired, the amount was reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions

MPC accounts for contributions received and contributions made in accordance with professional standards. Contributions received are recorded as with or without restrictions depending on the existence and/or nature of any donor restrictions. Contributions are reported when made, which is generally when cash is received, unconditional promises are made, or ownership of donated assets is transferred to MPC. Bequests are reported at the time MPC established the right to the bequest and proceeds are measurable. Revenues are reported as income when earned. MPC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Contributed Services

MPC's ministry could not be fully achieved without the dedicated efforts of many volunteers. These contributed services are not reported as they do not meet the "specialized skills" requirements under current accounting standards.

Income Taxes

MPC is exempt from federal and state income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes was made in the financial statements. MPC is classified as a publicly supported organization rather than a private foundation under Section 509(a)(1) of the code. Contributions to MPC are deductible from income taxes.

Generally accepted accounting principles in the United States require MPC to examine its tax positions for uncertain positions. MPC is not aware of any tax positions that are more likely than not to change in the next twelve months, or that would not sustain an examination by applicable taxing authorities. MPC's policy is to recognize penalties and interest as incurred in its statement of activities, and changes in net assets as a component of operating expenses and totaled \$0 for December 31, 2018 and 2017.

MPC is exempt from filing federal and state income tax returns.

Advertising Expenses

Advertising costs are expensed as incurred. Total advertising expense was approximately \$11,393 and \$11,358 for the years ended December 31, 2018 and 2017, respectively.

Madison Park Church of God, Inc.

Note 2 – Significant Accounting Policies (continued)

Allocation of Functional Expenses

The costs of providing various programs and other activities were summarized on a functional basis in the statement of activities and changes in net assets and statement of functional expenses. Accordingly, personnel and staffing costs were allocated among the programs and supporting services that benefited from those costs based on estimates of time and effort spent on the related activities. Remaining other costs were actual costs recorded among the programs and supporting services that benefited.

Note 3 – Debt Payable

Reorganized Debtor

On January 21, 2014, MPC (as the Reorganized Debtor) completed its initial payments and executed and delivered the documents required to be provided to OSK I, LLC (OSK), Series A Trustee, Series B Trustee, and Series C Trustee. On that same date, OSK, Series A Trustee, Series B Trustee, and Series C Trustee executed and delivered the documents required to be provided to MPC. Distributions under the plan commenced on January 21, 2014. Also, payments under the plan commenced in January 2014. On March 20, 2014, the court filed the final decree to officially bring MPC out of Chapter 11 bankruptcy reorganization.

Bond Issue Cash Requirements and 2012 Default Payments

2007 Mortgage Bonds

In connection with the financing of the 2007 first mortgage bonds, MPC was required to make monthly deposits to sinking fund accounts in order to have sufficient funds for the required payments on all bonds. Due to cash flow constraints, the board voted to withhold these required payments beginning in May 2012. During 2013, these sinking fund accounts were used to pay approved related bond fees and other professional costs. On December 31, 2013, \$163,245 was approved by the court to be used to pay a portion of the accounts payable-reorganization payments in January 2014 to close out these funds.

2013 Amended Mortgage Bonds

In connection with the amended 2013 mortgage bonds, beginning February 1, 2014, MPC is required to make the following monthly deposits to the respective sinking fund accounts in order to have sufficient funds for the required fees and bond payments for the respective bonds:

	<u>Series A</u>	<u>Series B</u>	<u>Series C</u>
February 1, 2014 through January 31, 2016	\$ 28,746	\$ 3,283	\$ 1,420
February 1, 2016 through January 31, 2018	30,976	4,002	1,701
February 1, 2018 through January 31, 2021	33,146	4,721	1,982
February 1, 2021 through January 31, 2024	35,071	5,799	2,404
February 1, 2024 through January 31, 2034	63,196	5,799	2,404
Thereafter	63,196	50,724	19,979

OSK's promissory note is secured by a lien on MPC's pledged property. MPC is actively marketing the sale of several of its properties. Should any of these properties be sold, a certain amount of the net proceeds are required to be paid early on this note as stipulated by the note's agreement. The Series A and Series B first mortgage bonds are secured by a lien on MPC's pledged property. The Series C bonds are an unsecured obligation of MPC.

Madison Park Church of God, Inc.

Note 3 – Debt Payable (continued)

Debt payable consists of a promissory note and mortgage bonds (MB) payable.

Debt	Interest	Terms	December 31,	
			2018	2017
OSK Promissory Note (New out of Series A) (2013)	2.00% with escalating rate to 5% by 2020	First payment due February 2014; monthly principal and interest of \$22,950 escalating to \$28,125 in 2021 and matures in 2023.	\$1,393,111	\$1,657,522
2007 Series A MB (Amended 2013)	2.00% with escalating rate to 5% by 2020	First payment due December 2014; annual principal and interest of \$168,300 to \$206,250, escalating to \$375,000 in 2024 and matures in 2033.	5,952,290	6,101,022
2007 Series B MB (Amended 2013)	0.00%	First payment due June 2015; annual principal of \$34,502 to \$64,692, escalating to \$259,538 in 2031 and \$301,896 in 2032 and matures in 2038.	6,228,829	6,271,957
2007 Series C MB (Amended 2013)	0.00%	First payment due June 2015; annual principal of \$13,498 to \$25,308, escalating to \$101,533 in 2031 and \$118,104 in 2032 and matures in 2038.	<u>2,436,506</u>	<u>2,453,379</u>
			16,010,736	16,483,880
Less current portion			(451,170)	(469,266)
Imputed interest 4% - Series B and C interest-free MBs			(4,028,523)	(4,205,478)
Less debt issuance costs			<u>(408,028)</u>	<u>(436,940)</u>
Debt net of current portion, imputed interest, and debt issuance costs			<u>\$11,094,103</u>	<u>\$11,372,196</u>

As of December 31, 2018 and 2017, MPC was in compliance with all debt covenants.

Debt issuance costs are amortized on a straight-line basis over the life of the bond debt. Fees capitalized were \$726,052 for both December 31, 2018 and 2017 and accumulated amortization was \$318,024 and \$289,112 as of December 31, 2018 and 2017, respectively.

Principal payments due outstanding on long-term obligations as of December 31, 2018 are as follows:

	OSK Promissory Note	2007 Series A MB	2007 Series B MB	2007 Series C MB	Total
2019	\$ 261,273	\$ 117,897	\$ 51,754	\$ 20,246	\$ 451,170
2020	268,117	77,960	51,754	20,246	418,077
2021	301,173	78,556	51,754	20,246	451,729
2022	316,582	94,804	64,692	25,308	501,386
2023	245,966	100,090	64,692	25,308	436,056
Thereafter	<u>0</u>	<u>5,482,983</u>	<u>5,944,183</u>	<u>2,325,152</u>	<u>13,752,318</u>
	<u>\$1,393,111</u>	<u>\$5,952,290</u>	<u>\$6,228,829</u>	<u>\$2,436,506</u>	<u>\$16,010,736</u>

Madison Park Church of God, Inc.

Note 4 – Capital Lease

MPC entered into a capital lease during the year ended December 31, 2018 for a security system. The capital lease requires 35 payments of \$199 until February 2021. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over their estimated productive lives. Interest expense amounted to \$497 and \$0 for the years ended December 31, 2018 and 2017.

Following is a summary of property held under capital lease

	2018
Security system	\$ 5,795
Accumulated depreciation	(1,610)
	\$ 4,185

Note 5 – Net Investment In Property and Equipment

Net investment in property and equipment that is included in unrestricted net assets is calculated as follows:

	December 31	
	2018	2017
Property and equipment	\$ 1,279,764	\$ 1,320,689
Property and equipment - Madison Park	13,568,669	14,012,750
Less related debt	(11,574,185)	(11,841,462)
Less loan costs	(408,028)	(436,940)
	\$ 2,866,220	\$ 3,055,037

Note 6 – Depreciation

Depreciation expense consists of the following:

		December 31	
		2018	2017
<u>Property</u>	<u>Purpose</u>		
Scatterfield Road	Ministry	\$ 42,659	\$ 42,537
Madison Park	Worship	444,082	300,675
Dove Harbor / Broadway	Dove Harbor	18,126	16,625
		\$ 504,867	\$ 359,837

Note 7 – Employee Benefits

Retirement Plan

MPC participates in the Servant Solutions Retirement Plan (formerly the Church of God Retirement Plan), which is administered by Servant Solutions. Full-time employees become eligible for enrollment in the plan on the first day of the calendar month following the completion of 12 months of continuous employment. Other terms of the plan are contained in the plan documents. Church contributions to the plan were approximately \$73,708 and \$63,384 for the years ended December 31, 2018 and 2017, respectively.

Other Benefits

MPC provides employees with medical and disability insurance in accordance with the Affordable Care Act. MPC and employees share in the cost of the insurance premiums. Total expenses for this benefit were approximately \$228,094 and \$202,466 for the years ended December 31, 2018 and 2017, respectively.

Madison Park Church of God, Inc.

Note 8 – Related Parties

Contributions to the Church of God Ministries were approximately \$19,403 and \$40,638 for the years ended December 31, 2018 and 2017, respectively, primarily in support of world-wide missions. Contributions to the Indiana Ministries of the Church of God were approximately \$18,903 and \$40,573 for the years ended December 31, 2018 and 2017, respectively, in support of various state-sponsored ministries of the Church of God.

Note 9 – Operating Leases

Operating leases consist of monthly lease payments for various copiers. Lease payments and related charges for the years ended December 31, 2018 and 2017 were approximately \$37,184 and \$56,038, respectively.

Future minimum lease payable payments on leases having non-cancelable terms beyond December 31, 2018 are as follows:

2019	<u>\$ 1,181</u>
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Note 10 – Concentration

Concentration in Credit Risk

MPC maintains cash balances in three financial institutions. The bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the years ended December 31, 2018 and 2017. The total uninsured balances in these accounts were \$476,069 and \$249,478 as of December 31, 2018 and 2017.

Concentration of Support Risk

Support for MPC comes primarily from tithes and offerings concentrated in Madison County, Indiana, and surrounding counties.

Note 11 – Liquidity

MPC's liquidity management consists of the following quantitative and qualitative measurements:

Quantitative measurement - MPC's resources available for general use within one year at December 31, 2018 and 2017 were:

	<u>2018</u>	<u>2017</u>
Financial assets	\$ 698,629	\$ 682,396
Not available within one year	(10,200)	(36,517)
Less current obligations	<u>(697,817)</u>	<u>(754,116)</u>
Financial assets available for general use within one year	<u>\$ (9,388)</u>	<u>\$ (108,237)</u>

Qualitative measurement - MPC receives a significant amount of its support through tithes and offerings. Because these items require resources to be used in a particular manner or in a future period, MPC must maintain sufficient resources to meet those responsibilities. Thus, financial assets may not be available for general expenditure within one year. In the course of business, management structures MPC's financial assets to be available as its general expenditures, liabilities, and other obligations come due, and endeavors to maintain cash balances equal to approximately three months of operating expenses.

Madison Park Church of God, Inc.

Schedule of Lead Auditor For the Years Ended December 31, 2018 and 2017

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