

**Audited Financial Statements**

**Madison Park Church of God, Inc.**

**December 31, 2019 and 2018**



**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, 2019 and 2018, 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, 2019 and 2018, 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

May 4, 2020

# Madison Park Church of God, Inc.

## Statements of Financial Position December 31, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 737,685	\$ 687,511
Accounts receivable, net of allowance	13,055	10,918
Prepaid expenses	-	200
Total current assets	750,740	698,629
<b>Property and equipment</b>		
Land donated for sale	10,000	10,000
Land used for ministry	100,000	150,000
Buildings and improvements - Scatterfield Road	-	2,399,614
Buildings and improvements - Broadway	1,297,837	1,297,837
Furniture and fixtures	23,684	324,041
Vehicles	12,500	23,000
Total property and equipment	1,444,021	4,204,492
Accumulated depreciation	(1,309,095)	(2,953,529)
Net property and equipment	134,926	1,250,963
<b>Property and equipment - Madison Park</b>		
Land for sale	900,000	900,000
Land used for ministry	1,106,405	1,106,405
Buildings and improvements	16,710,790	16,681,687
Furniture and fixtures	443,610	408,912
Vehicles	1,345	28,801
Total property and equipment - Madison Park	19,162,150	19,125,805
Accumulated depreciation	(5,955,602)	(5,528,335)
Net property and equipment - Madison Park	13,206,548	13,597,470
<b>Long-term assets</b>		
Donated bonds	67,238	57,250
Bond issue cash requirements		
Sinking funds	228,946	229,120
Reserve account	95,660	95,660
Special escrow	240,824	-
Total long-term assets	632,668	382,030
<b>Total Assets</b>	<b>\$ 14,724,882</b>	<b>\$ 15,929,092</b>

# Madison Park Church of God, Inc.

## Statements of Financial Position December 31, 2019 and 2018

### LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
<b>Current Liabilities</b>		
Accounts payable	\$ 102,364	\$ 88,339
Accrued payroll and other accrued expenses	-	41,550
Accrued interest payable	128,590	105,163
Debt payable - current portion	420,673	451,170
Capital lease payable - current portion	1,926	1,926
Deferred revenue	-	9,669
Total current liabilities	<u>653,553</u>	<u>697,817</u>
<b>Long-Term Liabilities</b>		
Debt payable, net of current portion	10,855,554	11,123,015
Capital lease payable, net of current portion	650	2,576
Total long-term liabilities	<u>10,856,204</u>	<u>11,125,591</u>
Total Liabilities	<u>11,509,757</u>	<u>11,823,408</u>
<b>Net Assets</b>		
Net assets without donor restrictions		
Undesignated	334,448	301,789
Designated for capital contingency	250,000	204,867
Designated for bond issue cash requirements	565,430	324,780
Net investment in capitalized bond costs	379,116	408,028
Net investment in property and equipment	1,686,131	2,866,220
Total Net Assets	<u>3,215,125</u>	<u>4,105,684</u>
Total Liabilities and Net Assets	<u>\$ 14,724,882</u>	<u>\$ 15,929,092</u>

## Madison Park Church of God, Inc.

### Statements of Activities and Changes in Net Assets For the Years Ended December 31, 2019 and 2018

	2019	2018
<b>Revenue</b>		
Tithes and offerings	\$3,563,600	\$3,722,096
Daycare fees	488,396	533,652
Registration fees	70,303	128,680
Facility usage	96,829	101,877
Other income	70,258	68,374
Fundraising	115,712	139,106
Total revenue	4,405,098	4,693,785
<b>Operating Expenses</b>		
Advertising and promotions	13,636	11,393
Bad debt	-	24,456
Bank and finance charges	76,761	52,735
Benevolence	3,424	3,570
Bibles, books and materials	12,760	7,254
Computer	10,995	16,842
Contributions and donations	202,221	181,374
Contract labor	13,639	6,601
Educational	7,942	16,706
Compensation and benefits	2,168,896	2,403,529
Equipment	12,296	9,742
Fundraising	7,371	21,724
Furnishings and decorations	2,079	973
Food, water and refreshments	72,401	131,365
Honoraria	14,664	19,690
Gifts and awards	3,381	5,506
Insurance	29,573	34,190
Interest	374,557	320,043
Postage and handling	8,427	8,211
Printing and publications	16,414	13,573
Professional fees	95,769	151,809
Rental	76,158	55,325
Repairs and maintenance	152,762	124,209
Scholarships and grants	-	992
Special events	40,956	67,330
Subscriptions, dues and fees	36,702	26,215
Supplies and maintenance	79,925	54,320
Taxes and fees	4,068	4,848
Toys, games and recreation	195	2,975
Travel	86,893	79,102
Utilities	242,267	241,807
Total operating expenses	3,867,132	4,098,409

## Madison Park Church of God, Inc.

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### Statements of Activities and Changes in Net Assets (continued) For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Nonoperating Expenses</b>		
Depreciation	\$ 497,304	\$ 504,867
Imputed interest	181,152	176,954
Loss (gain) on sale of assets	750,069	-
Total non-operating expenses	<u>1,428,525</u>	<u>681,821</u>
Total expenses	<u>5,295,657</u>	<u>4,780,230</u>
<b>Net Decrease in Net Assets</b>	(890,559)	(86,445)
<b>Net Assets, Beginning of Year</b>	<u>4,105,684</u>	<u>4,192,129</u>
<b>Net Assets, End of Year</b>	<u><u>\$3,215,125</u></u>	<u><u>\$4,105,684</u></u>

## Madison Park Church of God, Inc.

### Statement of Functional Expenses For the Year Ended December 31, 2019

	<u>Ministry</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019 Total</u>
Operating Expenses				
Advertising and promotions	\$ -	\$ 13,636	\$ -	\$ 13,636
Bad debt	-	-	-	-
Bank and finance charges	-	76,761	-	76,761
Benevolence	3,424	-	-	3,424
Bibles, books and materials	12,760	-	-	12,760
Computer	10,995	-	-	10,995
Contributions and donations	202,221	-	-	202,221
Contract labor	13,639	-	-	13,639
Educational	7,942	-	-	7,942
Compensation and benefits	1,948,432	220,464	-	2,168,896
Equipment	12,296	-	-	12,296
Fundraising	-	-	7,371	7,371
Furnishings and decorations	2,079	-	-	2,079
Food, water and refreshments	72,401	-	-	72,401
Honoraria	14,664	-	-	14,664
Gifts and awards	3,381	-	-	3,381
Insurance	29,573	-	-	29,573
Interest	374,557	-	-	374,557
Postage and handling	8,427	-	-	8,427
Printing and publications	16,414	-	-	16,414
Professional fees	95,769	-	-	95,769
Rental	76,158	-	-	76,158
Repairs and maintenance	152,762	-	-	152,762
Scholarships and grants	-	-	-	-
Special events	40,956	-	-	40,956
Subscriptions, dues and fees	36,702	-	-	36,702
Supplies and maintenance	79,925	-	-	79,925
Taxes and fees	4,068	-	-	4,068
Toys, games and recreation	195	-	-	195
Travel	86,893	-	-	86,893
Utilities	242,267	-	-	242,267
Total operating expenses	<u>3,548,900</u>	<u>310,861</u>	<u>7,371</u>	<u>3,867,132</u>
Nonoperating Expenses				
Depreciation	-	497,304	-	497,304
Imputed interest	181,152	-	-	181,152
Loss (Gain) on sale of assets	750,069	-	-	750,069
Total non-operating expenses	<u>931,221</u>	<u>497,304</u>	<u>-</u>	<u>1,428,525</u>
Total expenses	<u>\$4,480,121</u>	<u>\$ 808,165</u>	<u>\$ 7,371</u>	<u>\$5,295,657</u>

## Madison Park Church of God, Inc.

### Statement of Functional Expenses (continued) 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	2,103,242	300,287	-	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>3,687,814</u>	<u>388,871</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>\$3,864,768</u>	<u>\$ 893,738</u>	<u>\$ 21,724</u>	<u>\$4,780,230</u>

# Madison Park Church of God, Inc.

## Statements of Cash Flows For the Years Ended December 31, 2019 and 2018

	2019	2018
<b>Reconciliation of changes in net assets to net cash provided by operating activities</b>		
Change in net assets	\$ (890,559)	\$ (86,445)
<b>Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities</b>		
Loss (gain) on sale of assets	750,069	-
Depreciation expense	497,304	504,867
Amortization of debt issuance costs	28,912	28,912
Daycare bad debt expense	-	24,456
Decrease (increase) in accounts receivable	(2,137)	(10,320)
Decrease (increase) in prepaid expenses	200	26,317
Decrease (increase) in donated bonds	(9,988)	(57,250)
Increase (decrease) in accounts payable	14,025	(58,880)
Increase (decrease) in accrued payroll and other accrued	(41,550)	(70)
Increase (decrease) in accrued interest payable	23,427	9,152
Increase (decrease) in deferred revenue	(9,669)	9,669
<b>Net Cash Provided By Operating Activities</b>	<b>360,034</b>	<b>390,408</b>
<b>Cash Flow From Investing Activities</b>		
Purchase of fixed assets	(55,413)	(19,861)
Proceeds on sale of fixed assets	314,999	-
Change in bond issuance costs	(240,650)	(22,174)
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>18,936</b>	<b>(42,035)</b>
<b>Cash Flow from Financing Activities</b>		
Payments on debt payable	(326,870)	(296,189)
Proceeds on capital lease	-	5,795
Payments on capital lease	(1,926)	(1,293)
<b>Net Cash Used In Financing Activities</b>	<b>(328,796)</b>	<b>(291,687)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	50,174	56,686
<b>Cash and Cash Equivalents, Beginning of Year</b>	687,511	630,825
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 737,685</b>	<b>\$ 687,511</b>
<b>Supplemental Disclosure</b>		
Cash paid for interest	\$ 351,130	\$ 310,891
Imputed interest expense on interest free Series B and C bonds	\$ 181,152	\$ 176,954

# Madison Park Church of God, Inc.

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## Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

### 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. Dove Harbor program was discontinued on March 31, 2020.
- 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. Miriam project program was discontinued on December 31, 2019.
- Kid's Learning Place (Daycare) 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.

#### 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 May 4, 2020, 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. On May 1, 2020, MPC sold the Dove Harbor / Broadway location.

#### 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 Daycare's services. Donations in transit are weekly offerings and tithes that were deposited subsequent to year end.

# Madison Park Church of God, Inc.

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## Note 2 – Significant Accounting Policies (continued)

### Accounts Receivable (continued)

Daycare' 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 \$0 and \$49,240 was reported for estimated uncollectible accounts as of December 31, 2019 and 2018, 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, 2019 and 2018 was \$0 and \$24,456, 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 5 - 60 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 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.

MPC sold the facility on Scatterfield Road in Anderson, Indiana in 2019. Proceeds were used to pay down the OSK and Series A Bonds balances. MPC did rent the Scatterfield Road campus to another church and Headstart organization which began in 2017.

As of December 31, 2019 and 2018, 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, 2019 and 2018.

# Madison Park Church of God, Inc.

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## 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.

*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 12 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, 2019 and 2018.

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

### Advertising Expenses

Advertising costs are expensed as incurred. Total advertising expense was approximately \$13,636 and \$11,393 for the years ended December 31, 2019 and 2018, 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. Should any of these properties be sold, a certain amount of the net proceeds is 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,	
			2019	2018
OSK Promissory Note (New out of Series A) (2013)	2% 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.	\$1,080,705	\$1,393,111
2007 Series A MB (Amended 2013)	2% 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.	5,828,674	5,952,290
2007 Series B MB (Amended 2013)	0%	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.	6,177,076	6,228,829
2007 Series C MB (Amended 2013)	0%	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>2,416,259</u>	<u>2,436,506</u>
			15,502,714	16,010,736
Less current portion			(420,673)	(451,170)
Imputed interest 4% - Series B and C interest-free MBs			(3,847,371)	(4,028,523)
Less debt issuance costs			(379,116)	(408,028)
Debt net of current portion, imputed interest, and debt issuance costs			<u>\$10,855,554</u>	<u>\$11,123,015</u>

As of December 31, 2019 and 2018, 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, 2019 and 2018 and accumulated amortization was \$346,936 and \$318,024 as of December 31, 2019 and 2018, respectively.

Principal payments due outstanding on long-term obligations as of December 31, 2019 are as follows:

	OSK Promissory Note	2007 Series A MB	2007 Series B MB	2007 Series C MB	Total
2020	\$ 270,713	\$ 77,960	\$ 51,754	\$ 20,246	\$ 420,673
2021	303,903	78,556	51,754	20,246	454,459
2022	319,450	94,804	64,692	25,308	504,254
2023	186,639	100,090	64,692	25,308	376,729
2024	0	274,420	64,692	25,308	364,420
Thereafter	<u>0</u>	<u>5,202,844</u>	<u>5,879,492</u>	<u>2,299,843</u>	<u>13,382,179</u>
	<u>\$1,080,705</u>	<u>\$5,828,674</u>	<u>\$6,177,076</u>	<u>\$2,416,259</u>	<u>\$15,502,714</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 \$461 and \$497 for the years ended December 31, 2019 and 2018.

Following is a summary of property held under capital lease

	<b>2019</b>	<b>2018</b>
Security system	\$ 5,795	\$ 5,795
Accumulated depreciation	(3,541)	(1,610)
	\$ 2,254	\$ 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	
	<b>2019</b>	<b>2018</b>
Property and equipment	\$ 134,926	\$ 1,250,963
Property and equipment - Madison Park	13,206,548	13,597,470
Less related debt	(11,276,227)	(11,574,185)
Less loan costs	(379,116)	(408,028)
	\$ 1,686,131	\$ 2,866,220

### Note 6 – Depreciation

Depreciation expense consists of the following:

		December 31	
Property	Purpose	<b>2019</b>	<b>2018</b>
Scatterfield Road	Ministry	\$ 33,073	\$ 42,659
Madison Park	Worship	446,335	444,082
Dove Harbor / Broadway	Dove Harbor	17,896	18,126
		\$ 497,304	\$ 504,867

### 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 \$65,172 and \$73,708 for the years ended December 31, 2019 and 2018, 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 \$207,637 and \$228,093 for the years ended December 31, 2019 and 2018, respectively.

# Madison Park Church of God, Inc.

## Note 8 – Related Parties

Contributions to the Church of God Ministries were approximately \$41,502 and \$19,403 for the years ended December 31, 2019 and 2018, respectively, primarily in support of world-wide missions. Contributions to the Indiana Ministries of the Church of God were approximately \$41,502 and \$18,903 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018 were approximately \$39,838 and \$37,184, respectively.

## 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, 2019 and 2018. The total uninsured balances in these accounts were \$779,472 and \$476,069 as of December 31, 2019 and 2018.

### 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, 2019 and 2018 were:

	<b>2019</b>	<b>2018</b>
Financial assets	\$ 750,740	\$ 698,629
Not available within one year	(10,000)	(10,200)
Less current obligations	(653,553)	(697,817)
Financial assets available for general use within one year	<u>\$ 87,187</u>	<u>\$ (9,388)</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.

## Note 12 – Coronavirus

In March 2020, the outbreak of COVID-19 (coronavirus) was recognized as a pandemic by the World Health Organization, and the outbreak has become widespread in the United States. The outbreak has had a notable impact on general economic conditions with many unknown effects. MPC has been required to close locations and services and operating under reduced hours. MPC continues to monitor the impact of coronavirus outbreak closely. The extent to which the coronavirus outbreak will impact its operations or financial results is uncertain.

# Madison Park Church of God, Inc.

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## Schedule of Lead Auditor For the Years Ended December 31, 2019 and 2018

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