

Audited Financial Statements

Madison Park Church of God, Inc.

December 31, 2020 and 2019



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, 2020 and 2019, 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, 2020 and 2019, 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

March 26, 2021

Madison Park Church of God, Inc.

Statements of Financial Position December 31, 2020 and 2019

ASSETS		
	2020	2019
Current Assets		
Cash and cash equivalents	\$ 879,816	\$ 737,685
Accounts receivable, net of allowance	13,231	13,055
Total current assets	893,047	750,740
Fixed Assets		
Land donated for sale	10,000	10,000
Land used for ministry - Broadway	-	100,000
Buildings and improvements - Broadway	-	1,297,837
Furniture and fixtures - Broadway	-	23,684
Vehicles - Broadway	-	12,500
Total fixed assets	10,000	1,444,021
Accumulated depreciation	-	(1,309,095)
Net fixed assets	10,000	134,926
Fixed Assets - Madison Park		
Land for sale	900,000	900,000
Land used for ministry	1,106,405	1,106,405
Buildings and improvements	16,720,730	16,710,790
Furniture and fixtures	462,699	443,610
Vehicles	12,500	1,345
Total fixed assets - Madison Park	19,202,334	19,162,150
Accumulated depreciation	(6,350,360)	(5,955,602)
Net fixed assets - Madison Park	12,851,974	13,206,548
Long-Term Assets		
Donated bonds	67,238	67,238
Bond issue cash requirements		
Sinking funds	228,951	228,946
Reserve account	94,872	95,660
Special escrow	7,500	240,824
Total long-term assets	398,561	632,668
Total Assets	\$ 14,153,582	\$ 14,724,882

Madison Park Church of God, Inc.

Statements of Financial Position (continued) December 31, 2020 and 2019

LIABILITIES AND NET ASSETS

	2020	2019
Current Liabilities		
Accounts payable	\$ 55,474	\$ 102,364
Accrued interest payable	137,869	128,590
Debt payable - current portion	457,096	420,673
Capital lease payable - current portion	392	1,926
Total current liabilities	650,831	653,553
 Long-Term Liabilities		
Debt payable, net of current portion	10,272,121	10,855,554
Capital lease payable, net of current portion	-	650
Total long-term liabilities	10,272,121	10,856,204
Total Liabilities	10,922,952	11,509,757
 Net Assets		
Net assets without donor restrictions		
Undesignated	548,479	334,448
Designated for capital contingency	218,071	250,000
Designated for bond issue cash requirements	331,323	565,430
Net investment in capitalized bond costs	350,204	379,116
Net investment in property and equipment	1,782,553	1,686,131
Total Net Assets	3,230,630	3,215,125
 Total Liabilities and Net Assets	\$ 14,153,582	\$ 14,724,882

Madison Park Church of God, Inc.

Statements of Activities and Changes in Net Assets For the Years Ended December 31, 2020 and 2019

	2020	2019
Revenue		
Tithes and offerings	\$2,824,324	\$3,563,600
Daycare fees	423,810	488,396
Registration fees	20,647	70,303
Facility usage	35,773	96,829
Other income	47,679	70,258
Fundraising	95,900	115,712
PPP loan forgiveness	439,500	-
Grants and contracts	122,881	-
Total revenue	4,010,514	4,405,098
Operating Expenses		
Advertising and promotions	12,568	13,636
Bad debt	9,553	-
Bank and finance charges	44,938	76,761
Benevolence	1,100	3,424
Bibles, books and materials	8,695	12,760
Computer	21,649	10,995
Contributions and donations	90,454	202,221
Contract labor	7,431	13,639
Educational	6,625	7,942
Compensation and benefits	2,017,338	2,168,896
Equipment	17,504	12,296
Fundraising	-	7,371
Furnishings and decorations	606	2,079
Food, water and refreshments	42,671	72,401
Honoraria	1,100	14,664
Gifts and awards	930	3,381
Insurance	27,072	29,573
Interest	385,420	374,557
Postage and handling	14,147	8,427
Printing and publications	9,071	16,414
Professional fees	41,499	95,769
Rental	73,886	76,158
Repairs and maintenance	141,650	152,762
Special events	5,390	40,956
Subscriptions, dues and fees	49,912	36,702
Supplies and maintenance	38,663	79,925
Taxes and fees	3,148	4,068
Toys, games and recreation	-	195
Travel	17,745	86,893
Utilities	174,949	242,267
Total operating expenses	3,265,714	3,867,132

Madison Park Church of God, Inc.

Statements of Activities and Changes in Net Assets (continued) For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Nonoperating Expenses		
Depreciation	\$ 478,776	\$ 497,304
Imputed interest	185,519	181,152
Loss (gain) on sale of assets	65,000	750,069
Total non-operating expenses	<u>729,295</u>	<u>1,428,525</u>
Total expenses	<u>3,995,009</u>	<u>5,295,657</u>
Net Increase (Decrease) in Net Assets	15,505	(890,559)
Net Assets, Beginning of Year	<u>3,215,125</u>	<u>4,105,684</u>
Net Assets, End of Year	<u><u>\$3,230,630</u></u>	<u><u>\$3,215,125</u></u>

Madison Park Church of God, Inc.

Statement of Functional Expenses For the Year Ended December 31, 2020

	<u>Ministry</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2020 Total</u>
Operating Expenses				
Advertising and promotions	\$ -	\$ 12,568	\$ -	\$ 12,568
Bad debt	-	9,553	-	9,553
Bank and finance charges	-	44,938	-	44,938
Benevolence	1,100	-	-	1,100
Bibles, books and materials	8,695	-	-	8,695
Computer	21,649	-	-	21,649
Contributions and donations	90,454	-	-	90,454
Contract labor	7,431	-	-	7,431
Educational	6,625	-	-	6,625
Compensation and benefits	1,782,854	234,484	-	2,017,338
Equipment	17,504	-	-	17,504
Fundraising	-	-	-	-
Furnishings and decorations	606	-	-	606
Food, water and refreshments	42,671	-	-	42,671
Honoraria	1,100	-	-	1,100
Gifts and awards	930	-	-	930
Insurance	27,072	-	-	27,072
Interest	385,420	-	-	385,420
Postage and handling	14,147	-	-	14,147
Printing and publications	9,071	-	-	9,071
Professional fees	41,499	-	-	41,499
Rental	73,886	-	-	73,886
Repairs and maintenance	141,650	-	-	141,650
Special events	5,390	-	-	5,390
Subscriptions, dues and fees	49,912	-	-	49,912
Supplies and maintenance	38,663	-	-	38,663
Taxes and fees	3,148	-	-	3,148
Toys, games and recreation	-	-	-	-
Travel	17,745	-	-	17,745
Utilities	174,949	-	-	174,949
Total operating expenses	<u>2,964,171</u>	<u>301,543</u>	<u>-</u>	<u>3,265,714</u>
Nonoperating Expenses				
Depreciation	-	478,776	-	478,776
Imputed interest	185,519	-	-	185,519
Loss (Gain) on sale of assets	65,000	-	-	65,000
Total non-operating expenses	<u>250,519</u>	<u>478,776</u>	<u>-</u>	<u>729,295</u>
Total expenses	<u>\$3,214,690</u>	<u>\$ 780,319</u>	<u>\$ -</u>	<u>\$3,995,009</u>

Madison Park Church of God, Inc.

Statement of Functional Expenses (continued) 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
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.

Statements of Cash Flows For the Years Ended December 31, 2020 and 2019

	2020	2019
Reconciliation of Changes in Net Assets to Net Cash Provided By Operating Activities		
Change in net assets	\$ 15,505	\$ (890,559)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided By Operating Activities		
Loss (gain) on sale of assets	65,000	750,069
PPP loan forgiveness	(439,500)	-
Depreciation expense	478,776	497,304
Amortization of debt issuance costs	28,912	28,912
Daycare bad debt expense	9,553	-
Decrease (increase) in accounts receivable	(9,729)	(2,137)
Decrease (increase) in prepaid expenses	-	200
Decrease (increase) in donated bonds	-	(9,988)
Increase (decrease) in accounts payable	(46,890)	14,025
Increase (decrease) in accrued payroll and other accrued	-	(41,550)
Increase (decrease) in accrued interest payable	9,279	23,427
Increase (decrease) in deferred revenue	-	(9,669)
Net Cash Provided By Operating Activities	110,906	360,034
Cash Flow From Investing Activities		
Purchase of fixed assets	(99,276)	(55,413)
Proceeds on sale of fixed assets	35,000	314,999
Change in bond issuance costs	234,107	(240,650)
Net Cash Provided By Investing Activities	169,831	18,936
Cash Flow from Financing Activities		
Payments on debt payable	(575,922)	(326,870)
Proceeds on PPP Loan	439,500	-
Payments on capital lease	(2,184)	(1,926)
Net Cash Used In Financing Activities	(138,606)	(328,796)
Net Increase in Cash and Cash Equivalents	142,131	50,174
Cash and Cash Equivalents, Beginning of Year	737,685	687,511
Cash and Cash Equivalents, End of Year	\$ 879,816	\$ 737,685
Supplemental Disclosure		
Cash paid for interest	\$ 376,141	\$ 351,130
Imputed interest expense on interest free Series B and C bonds	\$ 185,519	\$ 181,152

Madison Park Church of God, Inc.

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

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 March 26, 2021, 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.

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. Bond issue requirements are excluded from cash and cash equivalents on the statement of cash flows due to these amounts are in control of the trustee for required bond payments.

Madison Park Church of God, Inc.

Note 2 – Significant Accounting Policies (continued)

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.
- Daycare's 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 \$0 was reported for estimated uncollectible amounts as of December 31, 2020 and 2019, 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, 2020 and 2019 was \$9,553 and \$0, 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.

Fixed Assets

Items greater than \$1,000 are capitalized as fixed assets and are recorded at cost. Fixed assets 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 Scatterfield Road in Anderson, Indiana in 2019. Proceeds were used to pay down the OSK and Series A Bonds balances. MPC rented the Scatterfield Road campus to another church and Headstart organization which began in 2017.

MPC sold the Broadway location in Anderson, Indiana on April 30, 2020. Proceeds were used to pay down the OSK and Series A Bonds balances.

As of December 31, 2020 and 2019, 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, 2020 and 2019.

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.

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 expires, the amount is reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions

Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are recorded when the unconditional promise to give is made. 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.

Grants and Contracts

Government contract is derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when MPC has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position. MPC has \$0 and \$0 deferred revenue at December 31, 2020 and 2019, respectively.

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, 2020 and 2019.

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

Madison Park Church of God, Inc.

Note 2 – Significant Accounting Policies (continued)

Advertising Expenses

MPC expenses advertising costs as they incur. Total advertising expense was approximately \$12,568 and \$13,636 for the years ended December 31, 2020 and 2019, respectively.

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 are allocated among the programs and supporting services that benefit from those costs based on estimates of time and effort spent on the related activities. Remaining other costs are actual costs that are recorded among the programs and supporting services that benefit.

Reclassifications

Certain accounts in the 2019 financial statements were reclassified for comparative purposes to conform with the presentation in the 2020 financial statements. Total assets, liabilities, net assets (deficits) and changes in net assets (deficits) are unchanged due to these reclassifications.

Note 3 – Debt Payable

Reorganized Debtor

On January 21, 2014, MPC (as the Reorganized Debtor) completed the 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. 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

Madison Park Church of God, Inc.

Note 3 – Debt Payable (continued)

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.

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

Debt	Interest	Terms	December 31 st	
			2020	2019
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.	\$ 752,455	\$1,080,705
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.	5,467,484	5,828,674
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.	6,125,322	6,177,076
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>2,396,013</u>	<u>2,416,259</u>
			14,741,274	15,502,714
Less current portion			(457,096)	(420,673)
Imputed interest 4% - Series B and C interest-free MBs			(3,661,852)	(3,847,371)
Less debt issuance costs			<u>(350,204)</u>	<u>(379,116)</u>
Debt net of current portion, imputed interest, and debt issuance costs			<u>\$10,272,122</u>	<u>\$10,855,554</u>

As of December 31, 2020 and 2019, 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 and accumulated amortization was \$375,848 and \$346,936 as of December 31, 2020 and 2019, respectively. Principal payments due outstanding on long-term obligations as of December 31, 2020 are as follows:

	OSK Promissory Note	2007 Series A MB	2007 Series B MB	2007 Series C MB	Total
2021	\$ 306,540	\$ 78,556	\$ 51,754	\$ 20,246	\$ 457,096
2022	322,223	94,804	64,692	25,308	507,027
2023	123,692	100,090	64,692	25,308	313,782
2024	0	274,420	64,692	25,308	364,420
2025	0	463,112	64,692	25,308	553,112
Thereafter	<u>0</u>	<u>4,456,501</u>	<u>5,814,800</u>	<u>2,274,535</u>	<u>12,545,836</u>
	<u>\$ 752,455</u>	<u>\$5,467,484</u>	<u>\$6,125,322</u>	<u>\$2,396,013</u>	<u>\$14,741,274</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 \$202 and \$461 for the years ended December 31, 2020 and 2019.

Following is a summary of property held under capital lease:

	2020	2019
Security system	\$ 5,795	\$ 5,795
Accumulated depreciation	(5,403)	(3,541)
	\$ 392	\$ 2,254

Note 5 – Paycheck Protection Program

In April 2020, MPC received funding in the amount of \$439,500, under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loans and accrued interest are forgivable within a 24-week period if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains other designated thresholds. The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments until the date that the lender receives the forgiveness amount from the Small Business Administration. MPC used the proceeds for purposes consistent with the PPP. MPC accounts for the PPP Funding in accordance with ASC 958-605 Revenue Recognition for Nonprofit Entities. Revenue is recognized when eligible expenses and other conditions are substantially met or incurred.

At December 31, 2020, MPC recognized revenue of \$439,500 as they determined eligible expenses and other conditions were met regarding a portion of the funding. On January 4, 2021, MPC submitted PPP forgiveness from the Small Business Administration and believes this will be approved.

Note 6 – 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 st	
	2020	2019
Property and equipment	\$ 10,000	\$ 134,926
Property and equipment - Madison Park	12,851,974	13,206,548
Less related debt	(10,729,217)	(11,276,227)
Less loan costs	(350,204)	(379,116)
	\$ 1,782,553	\$ 1,686,131

Madison Park Church of God, Inc.

Note 7 – Depreciation

Depreciation expense consists of the following:

Property	Purpose	December 31 st	
		2020	2019
Scatterfield Road	Ministry	\$ -	\$ 33,073
Madison Park	Worship	453,850	446,335
Dove Harbor / Broadway	Dove Harbor	24,926	17,896
		<u>\$ 478,776</u>	<u>\$ 497,304</u>

Note 8 – 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 \$71,162 and \$65,172 for the years ended December 31, 2020 and 2019, 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 \$224,512 and \$209,268 for the years ended December 31, 2020 and 2019, respectively.

Note 9 – Related Parties

Contributions to the Church of God Ministries were approximately \$30,482 and \$41,502 for the years ended December 31, 2020 and 2019, respectively, primarily in support of world-wide missions. Contributions to the Indiana Ministries of the Church of God were approximately \$26,768 and \$41,502 for the years ended December 31, 2020 and 2019, respectively, in support of various state-sponsored ministries of the Church of God.

Note 10 – Operating Leases

Operating leases consist of monthly lease payments for various copiers. Lease payments and related charges for the years ended December 31, 2020 and 2019 were approximately \$41,899 and \$39,838, respectively.

Note 11 – 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, 2020 and 2019. The total uninsured balances in these accounts were \$739,672 and \$779,472 as of December 31, 2020 and 2019, respectively.

Concentration of Support Risk

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

Madison Park Church of God, Inc.

Note 12 – 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, 2020 and 2019 were:

	<u>2020</u>	<u>2019</u>
Financial assets (current assets)	\$ 893,047	\$ 750,740
Not available within one year (prepaid expenses)	-	-
Total financial assets at year end	893,047	750,740
Less current obligations (current liabilities)	(650,831)	(653,553)
Financial assets available for general use within one year	<u>\$ 242,216</u>	<u>\$ 97,187</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 13 – 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 the 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.

Schedule of Lead Auditor For the Years Ended December 31, 2020 and 2019

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