

Garner, Adams & Associates, PLLC

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Independent Accountant's Review Report

To The Board of Elders
KingsWay Community Church
Midlothian, VA 23114

We have reviewed the accompanying financial statements of KingsWay Community Church, which comprise the statement of financial position as of December 31, 2017, the related statement of activities for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

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

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally

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accepted in the United States of America. Our conclusion is not modified with respect to this matter.



George W. Garner, Jr., CPA, CGMA
Richmond, VA
August 30, 2018

KingsWay Community Church
Statement of Financial Position
As of December 31, 2017

	Dec 31, 17
ASSETS	
Current Assets	
Checking/Savings	
xxx6013 · CCCU	81,902.92
Total Checking/Savings	81,902.92
Other Current Assets	
1200 · Undeposited Funds	22,580.28
1300 · Inventory Asset	18,569.66
Total Other Current Assets	41,149.94
Total Current Assets	123,052.86
Fixed Assets	
1400 · LAND	
1400-01 · Land Original Value	320,000.00
Total 1400 · LAND	320,000.00
1500 · MAIN FACILITY	
1500-01 · Main - Original Value	6,909,165.48
1500-02 · Main - Accum Depreciation	(2,073,166.00)
1500-03 · Leasehold Improvements	24,990.77
Total 1500 · MAIN FACILITY	4,860,990.25
1600 · CHURCH OFFICE	
1600-01 · Office Original Value	307,451.05
1600-02 · Office Accum Depreciation	(191,243.92)
Total 1600 · CHURCH OFFICE	116,207.13
1700 · FURNITURE AND EQUIPMENT	
1700-01 · Furniture & Equip - Orig Value	185,236.02
1700-02 · F&E Accum Depreciation	(185,236.02)
Total 1700 · FURNITURE AND EQUIPMENT	0.00
Total Fixed Assets	5,297,197.38
TOTAL ASSETS	5,420,250.24
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	
1000 · CCCU cc	3,717.83
Total Credit Cards	3,717.83
Other Current Liabilities	
2100 · Due to E&E Emerson	82,017.93
2300 · Payroll Liabilities	
2300-01 · Virginia State Withholding	121.00
2300-02 · Federal Withholding	190.00
2300-03 · FICA/Medicare WH	380.08
2300-04 · Federal Unemployment	364.14
Total 2300 · Payroll Liabilities	1,055.22
Total Other Current Liabilities	83,073.15
Total Current Liabilities	86,790.98

See Independent Accountant's Review Report

KingsWay Community Church
Statement of Financial Position
As of December 31, 2017

	Dec 31, 17
Long Term Liabilities	
2400 - Main - CCCU loan	3,256,613.96
Total Long Term Liabilities	3,256,613.96
Total Liabilities	3,343,404.94
Equity	
3100-01 - Unrestricted Net Assets	2,079,989.99
3100-03 - Designated Funds-Building Fund	51,375.75
3100-04 - Designated Funds-Mission Fund	27,425.04
Net Income	(81,945.48)
Total Equity	2,076,845.30
TOTAL LIABILITIES & EQUITY	5,420,250.24

KingsWay Community Church
Statement of Activities
 January through December 2017

Ordinary Income/Expense	<u>Jan - Dec 17</u>	<u>% of Income</u>
Income		
4000 · INCOME		
4100 · Tithes/Offerings	516,000.71	80.68%
4200 · Building Fund	13,753.50	2.15%
4300 · Rental Income	39,881.50	6.24%
4400 · Books & CDs	1,934.28	0.3%
4500 · LOCAL MISSION DESIGNATED INCOME		
4500-01 · Food Pantry Ministry	4,471.49	0.7%
4500-02 · Mercy Ministry	3,519.10	0.55%
4500-04 · American Heritage Girls	4,814.46	0.75%
4500-07 · Pro Life (CPC)	5,000.00	0.78%
Total 4500 · LOCAL MISSION DESIGNATED INCOME	<u>17,805.05</u>	<u>2.78%</u>
4600 · Misc. Income		
4600-01 · Return Check Charge	(20.00)	(0.0%)
4600 · Misc. Income - Other	5,903.75	0.92%
Total 4600 · Misc. Income	<u>5,883.75</u>	<u>0.92%</u>
4700 · INTERNATIONAL MISS DESGN INCOME		
4700-01 · Bolivia Missions-General	850.00	0.13%
4700-02 · Bolivia Foundation Account	30,704.64	4.8%
4700-03 · Bolivia Orphanage	30.00	0.01%
4700-04 · Sovereign Grace Churches	490.00	0.08%
4700 · INTERNATIONAL MISS DESGN INCOME - Other	12,220.00	1.91%
Total 4700 · INTERNATIONAL MISS DESGN INCOME	<u>44,294.64</u>	<u>6.93%</u>
Total 4000 · INCOME	<u>639,553.43</u>	<u>100.0%</u>
Total Income	<u>639,553.43</u>	<u>100.0%</u>
Gross Profit	639,553.43	100.0%
Expense		
5000 · MINISTRY SERVICES		
5100 · MORTGAGE		
5120 · CCCU - Mortgage Interest	181,012.83	28.3%
5130 · Liability/WC Insurance	9,760.98	1.53%
5140 · WF - Short term loan Interest	873.84	0.14%
5142 · Short Term loan Interest-Gener	2,501.77	0.39%
Total 5100 · MORTGAGE	<u>194,149.42</u>	<u>30.36%</u>
5200 · UTILITIES		
5210 · Propane	5,762.10	0.9%
5220 · Main Electric	21,483.15	3.36%
5230 · Office Electric	2,256.00	0.35%
5240 · Water	2,641.60	0.41%
Total 5200 · UTILITIES	<u>32,142.85</u>	<u>5.03%</u>
5300 · MAINTENANCE		
5310 · Cleaning	2,320.26	0.36%
5320 · Maintenance Contracts	2,632.00	0.41%

KingsWay Community Church
Statement of Activities
 January through December 2017

	<u>Jan - Dec 17</u>	<u>% of Income</u>
5330 · General Maintenance	5,624.22	0.88%
5340 · Land Maintenance	21,377.30	3.34%
5350 · Trash Service	1,270.56	0.2%
5370 · Tech Support & Equipment	814.90	0.13%
Total 5300 · MAINTENANCE	<u>34,039.24</u>	<u>5.32%</u>
Total 5000 · MINISTRY SERVICES	<u>260,331.51</u>	<u>40.71%</u>
6000 · PERSONNEL		
6100 · WAGES & BENEFITS		
6110 · Pastor's Payroll Expenses		
6110-02 · Pastor's Housing Allowance	52,483.35	8.21%
6110 · Pastor's Payroll Expenses - Other	59,097.10	9.24%
Total 6110 · Pastor's Payroll Expenses	<u>111,580.45</u>	<u>17.45%</u>
6120 · Office Wages	22,749.15	3.56%
6130 · Facility Wages	9,760.25	1.53%
6666 · Payroll Expenses	5,000.00	0.78%
6160 · Payroll Taxes		
6160-01 · FICA/SS	2,015.58	0.32%
6160-02 · Medicare	471.39	0.07%
6160-04 · VA Unemployment	0.00	0.0%
6160-05 · Federal Unemployment	32.19	0.01%
Total 6160 · Payroll Taxes	<u>2,519.16</u>	<u>0.39%</u>
Total 6100 · WAGES & BENEFITS	<u>151,609.01</u>	<u>23.71%</u>
6300 · COMMUNICATIONS		
6310 · Office Supplies	1,758.72	0.28%
6320 · Postage	337.88	0.05%
6330 · Copier	3,575.90	0.56%
6340 · Office Phone	3,013.64	0.47%
6350 · Cell Phones	1,789.24	0.28%
6360 · Online Service	1,394.88	0.22%
6370 · Web Site & Communication	4,125.10	0.65%
6375 · Audio/Visual	4,900.92	0.77%
6380 · Professional Services	4,470.00	0.7%
6385 · Background Checks	2,157.30	0.34%
6390 · Halo Fees	860.97	0.14%
6395 · Bank Fees	65.00	0.01%
6399 · Tax Fees	20.05	0.0%
Total 6300 · COMMUNICATIONS	<u>28,469.60</u>	<u>4.45%</u>
Total 6000 · PERSONNEL	<u>180,078.61</u>	<u>28.16%</u>
7000 · MINISTRY		
7100 · GENERAL CARE		
7100-02 · General Care		
7100-20 · Pastoral Gifts	701.64	0.11%
7100-02 · General Care - Other	1,178.69	0.18%
Total 7100-02 · General Care	<u>1,880.33</u>	<u>0.29%</u>

KingsWay Community Church
Statement of Activities
 January through December 2017

	Jan - Dec 17	% of Income
7110 · Community Groups	1,475.33	0.23%
7120 · Retreats & Conferences		
7120-02 · Matthew	803.21	0.13%
7120-03 · Retreat/Conf Expenses-Others	3,085.04	0.48%
Total 7120 · Retreats & Conferences	3,888.25	0.61%
7130 · Pastors Library		
7130-01 · Library - Chris	32.16	0.01%
7130-02 · Library - Matthew	812.45	0.13%
Total 7130 · Pastors Library	844.61	0.13%
7140 · Guest Speakers	1,809.37	0.28%
Total 7100 · GENERAL CARE	9,897.89	1.55%
7200 · SUNDAY MEETING		
7220 · Hospitality		
7220-01 · Special Events	676.43	0.11%
7220 · Hospitality - Other	1,395.33	0.22%
Total 7220 · Hospitality	2,071.76	0.32%
7235 · Sunday School Ministries	34.95	0.01%
7240 · Book Shoppe (Resale)	1,934.28	0.3%
Total 7200 · SUNDAY MEETING	4,040.99	0.63%
7300 · FAMILY LIFE		
7310 · KingsKids	1,777.44	0.28%
7330 · Frontline	960.62	0.15%
7350 · Men's Ministry		
7350-01 · Men's Retreat	35.00	0.01%
Total 7350 · Men's Ministry	35.00	0.01%
7360 · Women's Ministry	50.00	0.01%
7370 · Intl Missions General Fund	8,398.38	1.31%
Total 7300 · FAMILY LIFE	11,221.44	1.76%
7400 · LOCAL MISSION DESIGNATED EXP		
7400-01 · Food Pantry Ministry	5,712.96	0.89%
7400-02 · Mercy Ministry	3,508.21	0.55%
7400-04 · American Heritage Girls	4,204.49	0.66%
7400-05 · Outreach	243.20	0.04%
7400-07 · Pro Life (CPC)	5,250.00	0.82%
Total 7400 · LOCAL MISSION DESIGNATED EXP	18,918.86	2.96%
7500 · INTERNATIONAL MISS DESG. EXP		
7500-02 · Bolivia Foundation Account	29,342.64	4.59%
7500-03 · Bolivia Orphanage	376.18	0.06%
7500-04 · Sovereign Grace Churches	490.00	0.08%
7500 · INTERNATIONAL MISS DESG. EXP - Other	10,720.00	1.68%
Total 7500 · INTERNATIONAL MISS DESG. EXP	40,928.82	6.4%
Total 7000 · MINISTRY	85,008.00	13.29%
8000 · Reimbursable Expenses	29.95	0.01%
8100 · Depreciation Expense	196,060.64	30.66%

KingsWay Community Church
Statement of Activities
 January through December 2017

	Jan - Dec 17	% of Income
Total Expense	721,508.71	112.81%
Net Ordinary Income	(81,955.28)	(12.81%)
Other Income/Expense		
Other Income		
9100 · Interest Income	9.80	0.0%
Total Other Income	9.80	0.0%
Net Other Income	9.80	0.0%
Net Income	(81,945.48)	(12.81%)

Independent Accountant's Review Report

KINGSWAY COMMUNITY CHURCH Notes to Financial Statements For the Year Ended December 31, 2017

1. Description of Organization

KingsWay Community Church (the organization) was organized in 1989 in the Commonwealth of Virginia. It is part of a network of churches collectively known as Sovereign Grace, which ensures that the pastor-elder leaders of the organization answer to not only the organization's congregation, but also to leaders within Sovereign Grace Churches (SGC).

The organization exists to help its members enjoy a growing relationship with God by treasuring Jesus Christ, pursuing authentic community interactions, and loving their neighbors. The organization impacts the community through four primary service areas:

- Books and CDs – Retail
- Food Pantry
- Men's Ministry
- Missions

The organization's congregation is led by a council of pastor-elders, including Lead Pastor Matthew Williams, Associate Pastor Chris Deloglous, and Pastor in Training Josh Kruger. In addition to the council of pastor-elders, the organization has formed a Financial Advisory Board (FAB) which is intended to provide counsel to the council of pastor-elders in the areas of financial stewardship.

The Financial Advisory Board participates in developing the organization's annual budget, providing quarterly reports at member meetings, and performing administration activities that include the functions necessary to provide support to the organization's program activities. Administration activities include oversight, business management, financial recordkeeping, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

To maintain transparency, the Financial Advisory Board includes at least three church members who are not a part of the council of pastor-elders. These members must be in good standing as determined by the aforementioned pastor-elders, who also may serve on the Financial Advisory Board.

2. Significant Accounting Policies

The organization prepares its financial statements in accordance with the modified cash basis of accounting, which is another comprehensive basis of accounting (OCBOA) that differs from generally accepted accounting principles. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements. The church has elected to omit the statement of cash flows as this statement is not required under the modified cash basis of accounting.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Unrestricted Net Assets

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily Restricted Net Assets

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The organization's unspent contributions are classified in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for the acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

Cash Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital nature.

Inventories

Inventory consists of the organization's products held for sale. Inventory is stated at the lower of cost or market and valued using the first-in, first-out method. When inventory is determined to be excessive or obsolete, it is reduced by an allowance for estimated excess or obsolete inventory.

Land, Buildings & Equipment

Land, buildings and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings and improvements	40 years
Leasehold improvements	20 years, or remaining lease term, if shorter
Equipment	5 – 10 years
Equipment used under capital leases	5 – 7 years

Land, buildings and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in temporarily restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the promises are not recognized until they become unconditional; that is until all conditions on which they depend are substantially met.

Long Term Liabilities

The organization's long term liability has been set up as a 5-year balloon account through Christian Community Credit Union and is secured by real property. The loan is payable as \$21,782.16 monthly, which includes interest of 5.5%.

Loan Maturity

2018 Not due
2019 Maturity Date is 4/20/2019 in the amount of \$3,164,523.33

Expense Recognition and Allocations

The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefitted. Administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Tax Status

The organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC). Contributions to the organization are tax deductible to donors under Section 170 of the Internal Revenue Code.

Subsequent Events

Subsequent events have been evaluated through August 30, 2018, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.