



# Reservoir Church

Financial Statements  
December 31, 2016 and 2015

# Reservoir Church

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Financial Statements  
December 31, 2016 and 2015

# Reservoir Church

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## Independent Accountant's Review Report

To the Board of Directors  
Reservoir Church  
Cambridge, Massachusetts

We have reviewed the accompanying financial statements of Reservoir Church (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization 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 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.

### *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 accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### *Accountant's Conclusion*

Based on my 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 accounting principles generally accepted in the United States of America.

*Other Matter - 2015 Financial Statements*

The 2015 financial statements were reviewed by Feeley & Driscoll, P.C., whose partners and professional staff joined BDO USA, LLP as of May 1, 2016, and whose report dated March 23, 2016, stated that, based on their review, they were not aware of any material modification that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP.

March 27, 2017

## Financial Statements

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**Reservoir Church**  
**Statements of Financial Position**

<i>December 31,</i>	2016	2015
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$ 418,372	\$ 418,586
Investments	472,295	433,962
Prepaid expenses	-	8,564
<b>Total Current Assets</b>	<b>890,667</b>	<b>861,112</b>
<b>Property and Equipment:</b>		
Buildings and improvements	9,218,781	9,193,431
Land	1,015,919	1,015,919
Equipment	388,900	355,474
Furniture and fixtures	119,218	111,153
	<b>10,742,818</b>	<b>10,675,977</b>
Less accumulated depreciation and amortization	3,030,672	2,791,542
<b>Net Property and Equipment</b>	<b>7,712,146</b>	<b>7,884,435</b>
<b>Total Assets</b>	<b>\$ 8,602,813</b>	<b>\$ 8,745,547</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Current maturities of long-term debt	\$ 98,724	\$ 94,707
Accounts payable	1,601	47,541
Accrued expenses	48,345	30,966
Deferred rent	38,898	38,898
<b>Total Current Liabilities</b>	<b>187,568</b>	<b>212,112</b>
<b>Long-Term Liabilities:</b>		
Long-term debt, less current maturities	3,196,859	3,295,581
<b>Net Assets:</b>		
Unrestricted	5,218,386	5,237,854
<b>Total Liabilities and Net Assets</b>	<b>\$ 8,602,813</b>	<b>\$ 8,745,547</b>

*See accompanying independent accountant's review report  
and notes to financial statements.*

**Reservoir Church**  
**Statements of Activities**

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<i>Years ended December 31,</i>	2016	2015
<b>Revenue and Support:</b>		
Tithes and offerings	\$ 1,075,568	\$ 1,110,045
Rental income	466,776	466,776
Ministry	136,986	249,645
Net realized and unrealized gains on investments	38,333	13,158
Other income	-	2,222
<b>Total Revenue and Support</b>	<b>1,717,663</b>	<b>1,841,846</b>
<b>Expenses:</b>		
Ministry	1,238,281	1,386,178
General and administrative	498,850	483,986
<b>Total Expenses</b>	<b>1,737,131</b>	<b>1,870,164</b>
Change in net assets	(19,468)	(28,318)
<b>Net Assets, beginning of year</b>	<b>5,237,854</b>	<b>5,266,172</b>
<b>Net Assets, end of year</b>	<b>\$ 5,218,386</b>	<b>\$ 5,237,854</b>

*See accompanying independent accountant's review report  
and notes to financial statements.*



# Reservoir Church

## Statement of Functional Expenses

<i>Year ended December 31, 2016</i>	Ministry	General and Administrative	Total
Staff compensation	\$ 202,690	\$ 78,824	\$ 281,514
Depreciation and amortization	176,956	62,174	239,130
Facilities management	153,798	54,037	207,835
Housing allowance	125,953	48,981	174,934
Mortgage interest	94,314	33,137	127,451
Miscellaneous ministry expenses	116,211	-	116,211
Church tithes and giving	111,663	-	111,663
Advertising and marketing	-	78,246	78,246
Health insurance	53,894	20,958	74,852
Other benefits	39,893	15,514	55,407
Utilities	40,715	14,305	55,020
Food and kitchen expense	34,727	12,202	46,929
Professional fees	2,166	33,266	35,432
Insurance	20,985	7,372	28,357
Supplies	18,642	6,550	25,192
Payroll taxes and fees	11,665	4,537	16,202
Office expenses	-	13,178	13,178
Bank fees	-	12,730	12,730
Events	10,730	-	10,730
Travel	9,790	-	9,790
Appreciation and gifts	7,294	-	7,294
Technology	4,002	1,406	5,408
Books and resources	1,555	-	1,555
Leadership development	638	-	638
Other general expenses	-	1,433	1,433
	<b>\$ 1,238,281</b>	<b>\$ 498,850</b>	<b>\$ 1,737,131</b>

*See accompanying independent accountant's review report  
and notes to financial statements.*

# Reservoir Church

## Statement of Functional Expenses

<i>Year ended December 31, 2015</i>	Ministry	General and Administrative	Total
Staff compensation	\$ 243,442	\$ 94,672	\$ 338,114
Depreciation and amortization	176,211	61,912	238,123
Facilities management	155,857	54,761	210,618
Housing allowance	123,614	48,072	171,686
Miscellaneous ministry expenses	158,692	-	158,692
Mortgage interest	96,563	33,928	130,491
Health insurance	88,055	34,244	122,299
Church tithes and giving	106,561	-	106,561
Utilities	57,053	20,045	77,098
Food and kitchen expense	38,864	13,655	52,519
Other benefits	35,213	13,694	48,907
Insurance	26,528	9,319	35,847
Professional fees	1,965	30,190	32,155
Advertising and marketing	-	29,862	29,862
Events	21,758	-	21,758
Supplies	15,836	5,564	21,400
Payroll taxes and fees	13,992	5,441	19,433
Bank fees	-	14,074	14,074
Office expenses	-	11,825	11,825
Travel	10,549	-	10,549
Appreciation and gifts	9,171	-	9,171
Technology	3,483	1,224	4,707
Leadership development	1,538	-	1,538
Books and resources	1,233	-	1,233
Other general expenses	-	1,504	1,504
	<b>\$ 1,386,178</b>	<b>\$ 483,986</b>	<b>\$ 1,870,164</b>

*See accompanying independent accountant's review report  
and notes to financial statements.*

**Reservoir Church**  
**Statements of Cash Flows**

<i>Years ended December 31,</i>	2016	2015
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (19,468)	\$ (28,318)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	239,130	238,123
Net realized and unrealized gains on investments	(38,333)	(13,158)
Increase (decrease) in cash resulting from a change in:		
Prepaid expenses	8,564	(8,564)
Accounts payable	(45,940)	25,088
Accrued expenses	17,379	126
<b>Net Cash Provided by Operating Activities</b>	<b>161,332</b>	<b>213,297</b>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of investments	170,261	125,820
Purchases of investments	(170,261)	(125,820)
Purchases of property and equipment	(66,841)	(3,926)
<b>Net Cash Used in Investing Activities</b>	<b>(66,841)</b>	<b>(3,926)</b>
<b>Cash Flows from Financing Activities:</b>		
Payments on long-term debt	(94,705)	(91,533)
Payments on capital lease obligation	-	(2,220)
<b>Net Cash Used in Financing Activities</b>	<b>(94,705)</b>	<b>(93,753)</b>
<b>Net (Decrease) Increase in Cash</b>	<b>(214)</b>	<b>115,618</b>
<b>Cash, beginning of year</b>	<b>418,586</b>	<b>302,968</b>
<b>Cash, end of year</b>	<b>\$ 418,372</b>	<b>\$ 418,586</b>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid during the year for:		
<b>Interest</b>	<b>\$ 127,451</b>	<b>\$ 130,491</b>

*See accompanying independent accountant's review report and notes to financial statements.*

# Reservoir Church

## Notes to Financial Statements

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### 1. Organization

Reservoir Church (formerly known as Vineyard Christian Fellowship of Cambridge) (the "Church") was incorporated in 1998 as a 501(c)(3) private, not-for-profit organization and is located in Cambridge, Massachusetts. The Church's purpose is to glorify God; to propagate the Christian faith and spread the Gospel of Jesus Christ as revealed through the Bible; and to provide for preaching, teaching, and fostering the growth of the Christian religion in all places. The Church is supported primarily through contributions from the congregation and provides various programs to its members and community.

### 2. Summary of Significant Accounting Policies

A summary of the significant accounting policies followed by the Church in the preparation of the accompanying financial statements is set forth below:

#### *Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In the statements of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting from use of cash, respectively.

#### *Unrestricted Net Assets*

Net assets that are not restricted for identified purposes by donors or grantors are categorized as unrestricted. These amounts are available to be used by the Board of Directors for the general purposes of the Church.

#### *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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

#### *Investment Securities*

Investments are reported at fair value, as determined by quoted market prices, in the statements of financial position. Realized and unrealized gains and losses are included in the statements of activities. Investments contributed to the Church are initially recorded at the estimated fair value at the date of the contribution.

#### *Property and Equipment*

All property and equipment greater than \$1,500 is stated at cost, or fair value if donated. Major renewals, additions, and betterments are charged to the property accounts, while replacements,

*See accompanying independent accountant's review report.*

# Reservoir Church

## Notes to Financial Statements

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maintenance, and repairs, which do not improve or extend the lives of the respective assets, are expensed in the year incurred.

### *Depreciation and Amortization*

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets as follows:

<i>Description</i>	<i>Life in Years</i>
Buildings and improvements	39
Equipment	3-5
Furniture and fixtures	7

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### *Impairment of Long-Lived Assets*

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360-10-35, "Accounting for the Impairment or Disposal of Long-Lived Assets," required the Church to review long-lived assets, such as property and equipment or intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of December 31, 2016, the Church did not recognize any impairment.

### *Tithes and Offerings*

Tithes and offerings are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions.

### *Advertising and Marketing*

Advertising and marketing costs are expensed in the year incurred. Advertising and marketing expense was \$78,246 and \$29,862 for the years ended December 31, 2016 and 2015, respectively.

### *Income Tax Exempt Status*

The Church is exempt from federal and state income taxes on related income under Section 501(c)(3) of the Internal Revenue Code.

### *Expense Allocation*

Expenses related directly to a program are distributed to the program. Other expenses are allocated based upon management's estimate of the percentage attributable to each program.

*See accompanying independent accountant's review report.*

# Reservoir Church

## Notes to Financial Statements

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### *Subsequent Events*

The Church has evaluated subsequent events through March 27, 2017, which is the date the financial statements were available to be issued.

### 3. Cash

The Church has a potential concentration of credit risk in that it maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The maximum deposit insurance amount is \$250,000, which is applied per depositor, per insured bank for each account ownership category. These financial institutions have strong credit ratings and management believes the credit risk related to their accounts is minimal. As of December 31, 2016 and 2015, the Company has \$150,914 and \$159,882 in excess of FDIC limits, respectively.

### 4. Investments

Investments are stated at fair value and consisted of the following at:

<i>December 31, 2016</i>	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Exchange traded funds	\$ 10,219	\$ 9,756	\$ (9,377)
Equity funds	229,305	240,226	10,921
Fixed income funds	220,024	212,976	(7,047)
Money market funds	9,337	9,337	-
	\$ 468,885	\$ 472,295	\$ 3,410

<i>December 31, 2015</i>	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Exchange traded funds	\$ 179,435	\$ 175,610	\$ (3,825)
Fixed income funds	154,556	173,790	19,234
Money market funds	71,997	68,143	(3,854)
Equity funds	16,419	16,419	-
	\$ 422,407	\$ 433,962	\$ 11,555

*See accompanying independent accountant's review report.*

# Reservoir Church

## Notes to Financial Statements

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Investment return is summarized as follows:

	2016	2015
Realized gains (losses)	\$ 34,923	\$ (5,621)
Unrealized gains	3,410	18,779
	\$ 38,333	\$ 13,158

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### 5. Fair Value Measurements

The Financial Accounting Standards Board (FASB) provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Church has the ability to access.

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Level 2      Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used.

*Exchange traded funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*See accompanying independent accountant's review report.*

# Reservoir Church

## Notes to Financial Statements

*Equities, fixed income and money market funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Church are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Church are deemed to be actively traded.

The following table presents the investment balances measured at fair value on a recurring basis as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Fixed income funds	\$ 212,977	\$ -	\$ -	\$ 212,977
<b>Equities:</b>				
Financial services	200,342	-	-	200,342
Consumer	20,603	-	-	20,603
Utilities	10,628	-	-	10,628
Industrials	8,652	-	-	8,652
<b>Total Equities</b>	<b>240,225</b>	<b>-</b>	<b>-</b>	<b>240,225</b>
Money market	9,337	-	-	9,337
Exchange traded funds	9,756	-	-	9,756
<b>Total Assets at Fair Value</b>	<b>\$ 472,295</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 472,295</b>

The following table presents the investment balances measured at fair value on a recurring basis as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
Fixed income funds	\$ 68,143	\$ -	\$ -	\$ 68,143
<b>Equities:</b>				
Financial services	115,576	-	-	115,576
Other	32,638	-	-	32,638
Consumer	25,576	-	-	25,576
<b>Total Equities</b>	<b>173,790</b>	<b>-</b>	<b>-</b>	<b>173,790</b>
Money market	16,419	-	-	16,419
Exchange traded funds	175,610	-	-	175,610
<b>Total Assets at Fair Value</b>	<b>\$ 433,962</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 433,962</b>

*See accompanying independent accountant's review report.*



# Reservoir Church

## Notes to Financial Statements

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### 6. Long-term Debt

The Church has a mortgage note payable to a bank, dated February 25, 2005, secured by its real property. The mortgage note payable bears interest at a rate of 3.74% and will be adjusted again in October 2018. The mortgage is amortized over a 25-year life but with a maturity date of October 31, 2023. The note requires monthly principal and interest payments of \$18,497 through October 31, 2023. The Church is subject to certain financial covenants. The balance of this note was \$3,295,583 and \$3,390,288 at December 31, 2016 and 2015, respectively.

Long-term debt matures as follows:

*Years ending December 31,*

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2017	\$	98,724
2018		102,533
2019		106,490
2020		110,279
2021		114,854
Thereafter		2,762,703
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<b>Total</b>	<b>\$</b>	<b>3,295,583</b>

### 7. Operating Leases

The Church leases a portion of its building to the Benjamin Banneker Charter School under an agreement that expires in July 2019 (as extended). During 2016, annual rent was paid in two installments in advance. During 2015, annual rent was paid quarterly in advance. Deferred rental revenue, included in current liabilities, was \$38,898 as of December 31, 2016 and 2015.

Future rental income is as follows:

*Years ending December 31,*

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2017	\$	466,776
2018		466,776
2019		272,286
<hr/>		
<b>Total</b>	<b>\$</b>	<b>1,205,838</b>

The Church also leases office equipment with a monthly payment ranging from \$893 to \$1,034 and expiring in September 2019. The total expense for the year ended December 31, 2016, was \$10,954. Future minimum payments under the lease agreements are as follows:

*See accompanying independent accountant's review report.*

**Reservoir Church**  
**Notes to Financial Statements**

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*Years ending December 31,*

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2017	\$	11,397
2018		11,967
2019		9,306
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<b>Total</b>	<b>\$</b>	<b>32,670</b>

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**8. 403(b) Retirement Plan**

The Church maintains a qualified retirement plan for eligible employees pursuant to Internal Revenue Code Section 403(b), to which employees may contribute a portion of their compensation. At its discretion, the Church may match a portion of the employees' contribution. The Church contributed \$45,350 and \$37,284 to the plan during the years ended December 31, 2016 and 2015, respectively.

*See accompanying independent accountant's review report.*