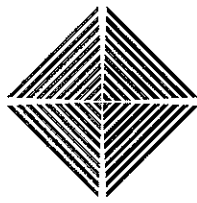


RESERVOIR CHURCH  
FINANCIAL STATEMENTS

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For the Years Ended December 31, 2018 and 2017

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# Mark D. Savage, CPA

Certified Public Accountant and Business Advisor

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors  
Reservoir Church  
Cambridge, Massachusetts 02140

I have reviewed the accompanying financial statements of Reservoir Church (a nonprofit organization) of Cambridge, Massachusetts which comprise the statement of financial position as of December 31, 2018 and the related statements of activities 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, I do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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**

My 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 me to perform procedures to obtain limited assurance as a basis for reporting whether I am 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. I believe that the results of my procedures provide a reasonable basis for my conclusion.

### **Accountant's Conclusion**

Based on my review, I am 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.

## **Supplementary Information**

The supplementary information included in the accompanying schedules of ministry expenses on page 13 and general and administrative expenses on pages 14 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subject to the review procedures applied in my review of the basic financial statements. I am not aware of any material modifications that should be made to the supplementary information. I have not audited the supplementary information and do not express an opinion on such information.

## **Report on 2017 Financial Statements**

The financial statements of Reservoir Church as of December 31, 2017, were reviewed by other accountants whose report dated May 31, 2018, stated that based on their procedures, they are not aware of any material modifications 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.

*Mark D. Savage, CPA*

Mark D. Savage, CPA  
Burlington, Massachusetts  
June 15, 2019

RESERVOIR CHURCH

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash	\$ 250,426	\$ 557,433
Investments	<u>701,623</u>	<u>578,297</u>
TOTAL CURRENT ASSETS	952,049	1,135,730
PROPERTY AND EQUIPMENT:		
Building and improvements	9,289,092	9,271,028
Land	1,015,919	1,015,919
Equipment	416,300	408,120
Furniture and fixtures	<u>119,218</u>	<u>119,218</u>
	10,840,529	10,814,285
Less: Accumulated depreciation	<u>3,522,287</u>	<u>3,274,892</u>
TOTAL PROPERTY AND EQUIPMENT	<u>7,318,242</u>	<u>7,539,393</u>
TOTAL ASSETS	<u>\$ 8,270,291</u>	<u>\$ 8,675,123</u>

See Accompanying Notes and Independent Accountant's Review Report

RESERVOIR CHURCH

STATEMENT OF FINANCIAL POSITION (continued)

DECEMBER 31, 2018

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES:		
Mortgage payable, current portion	\$ 233,661	\$ 102,533
Accounts payable	13,874	14,955
Accrued expenses	59,097	51,416
Deferred rent	<u>38,898</u>	<u>155,592</u>
 TOTAL CURRENT LIABILITIES	 345,530	 324,496
LONG-TERM LIABILITIES:		
Mortgage payable, net of current portion	<u>2,840,732</u>	<u>3,094,326</u>
 TOTAL LIABILITIES	 3,186,262	 3,418,822
NET ASSETS, unrestricted	<u>5,084,029</u>	<u>5,256,301</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 8,270,291</u>	 <u>\$ 8,675,123</u>

See Accompanying Notes and Independent Accountant's Review Report

RESERVOIR CHURCH

STATEMENT OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
REVENUE AND SUPPORT:		
Tithes and offerings	\$ 1,112,350	\$ 1,091,962
Rental income	466,776	466,776
Ministry	134,567	126,752
Investment income/(loss)	<u>(23,205)</u>	<u>77,934</u>
TOTAL REVENUE AND SUPPORT	<u>1,690,488</u>	<u>1,763,424</u>
EXPENSES:		
Program services		
Ministry	1,376,222	1,261,489
Support services		
General and administrative	<u>486,538</u>	<u>464,020</u>
TOTAL EXPENSES	<u>1,862,760</u>	<u>1,725,509</u>
CHANGES IN UNRESTRICTED NET ASSETS	(172,272)	37,915
NET ASSETS, UNRESTRICTED, BEGINNING OF THE YEAR	<u>5,256,301</u>	<u>5,218,386</u>
NET ASSETS, UNRESTRICTED, END OF THE YEAR	<u>\$ 5,084,029</u>	<u>\$ 5,256,301</u>

See Accompanying Notes and Independent Accountant's Review Report

RESERVOIR CHURCH

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in unrestricted net assets	\$ (172,272)	\$ 37,915
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Depreciation	247,395	244,220
Net realized and unrealized (gains)/losses on investments	37,143	(77,934)
Increase (decrease) in current liabilities:		
Accounts payable	(1,081)	13,354
Accrued expenses	7,681	3,071
Deferred rent	(116,694)	116,694
	<u>2,172</u>	<u>337,320</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	652,737	267,488
Purchases of investments	(813,206)	(295,556)
Acquisition of property and equipment	(26,244)	(71,467)
	<u>(186,713)</u>	<u>(99,535)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgage payable	(122,466)	(98,724)
	<u>(122,466)</u>	<u>(98,724)</u>
NET CASH USED IN FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	(307,007)	139,061
CASH AT BEGINNING OF YEAR	<u>557,433</u>	<u>418,372</u>
CASH AT END OF YEAR	<u>\$ 250,426</u>	<u>\$ 557,433</u>

Supplemental disclosure:

Cash paid during 2018 and 2017 for interest was \$128,665 and \$123,237, respectively.

See Accompanying Notes and Independent Accountant's Review Report

## RESERVOIR CHURCH

### NOTES TO FINANCIAL STATEMENTS

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December 31, 2018 and 2017

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Organization and Purpose

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.

##### Basis of Accounting and Presentation

The Church maintains its books on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. 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.

The Church has adopted the provisions of Accounting Standards Codification Topic ("ASC") 958-205, "Financial Statements of Non-for-Profit Organizations." Under ASC 958-205, the Church is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Church follows ASC 958-605, Accounting for Contributions Received and Contributions Made. In accordance with ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and or nature of any donor restrictions.

Permanently restricted net assets are amounts resulting from contributions and inflows of assets whose use by the Church is limited by the donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Church.

Temporarily restricted net assets include amounts resulting from contributions and other inflows of assets whose use by the Church is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Church pursuant to those stipulations. When a donor restriction expires, temporarily restricted net assets are reclassified and reported in the Statement of Activities as net assets released from restrictions.

Unrestricted net assets are amounts that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. These amounts are available to be used by the Board of Directors for the general purposes of the Church.



## RESERVOIR CHURCH

### NOTES TO FINANCIAL STATEMENTS (Continued)

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December 31, 2018 and 2017

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Church depreciates assets using the straight-line method over their estimated useful lives. Depreciation expense was \$247,395 and \$244,220 for the years ended December 31, 2018 and 2017, respectively

##### 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, 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, 2018 and 2017, the Church did not recognize any impairment.

##### 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.

##### 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.

RESERVOIR CHURCH

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2018 and 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising and Marketing

Advertising and marketing costs are expensed in the year incurred. Advertising and marketing expense were \$14,404 and \$24,620 for the years ended December 31, 2018 and 2017, respectively.

Income Tax Exempt Status

Expenses related directly to 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.

NOTE B - INVESTMENTS

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

<u>December 31, 2018</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Exchange traded funds	\$ 42,078	\$ 36,263	\$ (5,815)
Equity funds	179,333	178,295	(1,038)
Fixed income funds	358,074	424,626	66,552
Money market funds	<u>62,439</u>	<u>62,439</u>	<u>-</u>
	<u>\$ 507,158</u>	<u>\$ 701,623</u>	<u>\$ 59,699</u>
<u>December 31, 2017</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Exchange traded funds	\$ 30,835	\$ 33,203	\$ 2,368
Equity funds	240,676	307,484	66,808
Fixed income funds	221,762	223,725	1,963
Money market funds	<u>13,885</u>	<u>13,885</u>	<u>-</u>
	<u>\$ 507,158</u>	<u>\$ 578,297</u>	<u>\$ 71,139</u>

RESERVOIR CHURCH

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2018 and 2017

NOTE B – INVESTMENTS (continued)

Investment income consists of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 21,489	\$ -
Realized gains/(losses)	61,641	6,795
Unrealized gains/(losses)	(98,784)	71,139
Investment expenses	<u>(7,551)</u>	<u>-</u>
Total investment income	<u>\$ (23,205)</u>	<u>\$ 77,934</u>

NOTE C - MORTGAGE PAYABLE

As of December 31, 2018 and 2017, the Church's long-term liabilities consisted of the following:

	<u>2018</u>	<u>2017</u>
Mortgage payable in monthly installments of \$33,075, which includes interest at a rate of 5.50% per annum. The mortgage matures on October 31, 2023 along with a balloon payment for its remaining balance. The Church is subject to certain financial covenants, which they were in compliance with at December 31, 2018 and 2017. The mortgage is secured by the Church's real estate.	\$ 3,074,393	\$ 3,196,859
Less: Current portion	<u>233,661</u>	<u>102,533</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u><b>\$ 2,840,732</b></u>	<u><b>\$ 3,094,326</b></u>

The following is a summary of the Church's principal maturities of long-term liabilities as of December 31, 2018:

December, 2019	\$ 233,661
December, 2020	246,841
December, 2021	260,765
December, 2022	275,474
December, 2023	<u>2,057,652</u>
Total long-term liabilities	<u><b>\$ 3,074,393</b></u>

RESERVOIR CHURCH

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2018 and 2017

NOTE D – 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:

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.

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.

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

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.

*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.

All investments held by the Church are considered Level 1 investments and are reported as such for the years ended December 31, 2018 and 2017, respectively.

RESERVOIR CHURCH

NOTES TO FINANCIAL STATEMENTS (Continued)

-----  
December 31, 2018 and 2017

NOTE E – 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). Rent is due quarterly on the first day of February, May, August, and November. Deferred rental revenue, included in current liabilities, was \$38,898 and \$155,592 as of December 31, 2018 and 2017, respectively. Future rental income is \$272,286 for the year ending December 31, 2019.

The Church also leases office equipment with a monthly payment ranging from \$985 to \$1,034 and expiring in September 2019. The total expense for the years ended December 31, 2018 and 2017, was \$11,967 and \$11,592 respectively. Future minimum payments under the lease agreements are \$9,306 for the year ending December 31, 2019.

NOTE F - CONCENTRATION OF RISK

The Church maintains its cash balances at one financial institution. The cash balances are insured by the Federal Depository Insurance Corporation (“FDIC”) up to \$250,000. In addition to FDIC, the financial institution has Depositor Insurance Fund (“DIF”) that covers deposit balances in excess of the FDIC limit of \$250,000. At December 31, 2018, all the Church’s cash balances are insured.

NOTE G – 403(b) RETIREMENT PLAN

The Church maintains a qualified retirement plan for eligible employees pursuant to Section 403(b) of the Internal Revenue Code, to which employees may contribute a portion of their compensation. At its discretion, the Church may match a portion of the employees’ contribution. For the years ended December 31, 2018 and 2017, the Church matched 50% of employees’ contributions up to \$5,000 of matching contributions per employee. The Church contributed \$32,309 and \$27,521 to the plan during the years ended December 31, 2018 and 2017, respectively.

NOTE H – SUBSEQUENT EVENTS

The Church’s management and Board of Directors have evaluated all material subsequent events from the end of the fiscal year through June 15, 2019, the date the financial statement was available to be issued. No material subsequent events have occurred since December 31, 2018 that require recognition or disclosure in these financial statements.

SUPPLEMENTAL INFORMATION

RESERVOIR CHURCH

SCHEDULES OF MINISTRY EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
PROGRAM SERVICES: Ministry		
Staff compensation	\$ 241,920	\$ 195,572
Depreciation	183,072	180,723
Facilities management	164,521	160,869
Housing Allowance	136,108	111,767
Church tithes and giving	133,105	124,149
Mortgage interest	95,212	91,195
Miscellaneous ministry expenses	76,569	115,056
Utilities	46,740	47,341
Health insurance	65,846	44,616
Professional fees	0	3,654
Food and kitchen expenses	40,293	38,190
Other benefits	29,802	27,544
Insurance	32,197	23,945
Events	42,002	31,762
Supplies	23,245	22,856
Payroll taxes and fees	13,239	13,300
Appreciation and gifts	11,621	14,519
Technology	28,605	5,182
Travel	7,375	4,641
Books and resources	4,750	4,608
	<hr/>	<hr/>
TOTAL MINISTRY	<u>\$ 1,376,222</u>	<u>\$ 1,261,489</u>

See Accompanying Independent Accountant's Review Report

RESERVOIR CHURCH

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
SUPPORT SERVICES: General and administrative		
Staff compensation	\$ 94,080	\$ 76,055
Depreciation	64,323	63,497
Facilities management	57,805	56,522
Housing Allowance	52,931	43,465
Mortgage interest	33,453	32,042
Utilities	16,422	16,633
Health insurance	25,607	17,351
Professional fees	37,272	56,126
Food and kitchen expenses	14,157	13,418
Other benefits	11,589	10,711
Insurance	11,312	8,412
Supplies	8,167	8,031
Advertising and marketing	14,404	24,620
Payroll taxes and fees	5,148	5,172
Office expenses	13,821	15,618
Bank fees	15,772	14,399
Technology	10,051	1,821
Other general expenses	224	127
	<hr/>	<hr/>
TOTAL GENERAL AND ADMINISTRATIVE	<u>\$ 486,538</u>	<u>\$ 464,020</u>

See Accompanying Independent Accountant's Review Report