



Reservoir Church

Financial Statements
December 31, 2017 and 2016

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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 statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 our reviews, 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.

BDO USA, L.L.P.

May 31, 2018

Financial Statements

Reservoir Church
Statements of Financial Position

<i>December 31,</i>	2017	2016
Assets		
Current Assets:		
Cash	\$ 557,433	\$ 418,372
Investments	578,297	472,295
Total Current Assets	1,135,730	890,667
Property and Equipment:		
Buildings and improvements	9,271,028	9,218,781
Land	1,015,919	1,015,919
Equipment	408,120	388,900
Furniture and fixtures	119,218	119,218
	10,814,285	10,742,818
Less accumulated depreciation and amortization	3,274,892	3,030,672
Net Property and Equipment	7,539,393	7,712,146
Total Assets	\$ 8,675,123	\$ 8,602,813
Liabilities and Net Assets		
Current Liabilities:		
Current maturities of long-term debt	\$ 102,533	\$ 98,724
Accounts payable	14,955	1,601
Accrued expenses	51,416	48,345
Deferred rent	155,592	38,898
Total Current Liabilities	324,496	187,568
Long-Term Liabilities:		
Long-term debt, less current maturities	3,094,326	3,196,859
Net Assets:		
Unrestricted	5,256,301	5,218,386
Total Liabilities and Net Assets	\$ 8,675,123	\$ 8,602,813

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

Reservoir Church
Statements of Activities

<i>Years ended December 31,</i>	2017	2016
Revenue and Support:		
Tithes and offerings	\$ 1,091,962	\$ 1,075,568
Rental income	466,776	466,776
Ministry	126,752	136,986
Net realized and unrealized gains on investments	77,934	38,333
Total Revenue and Support	1,763,424	1,717,663
Expenses:		
Ministry	1,261,489	1,238,281
General and administrative	464,020	498,850
Total Expenses	1,725,509	1,737,131
Change in net assets	37,915	(19,468)
Net Assets, beginning of year	5,218,386	5,237,854
Net Assets, end of year	\$ 5,256,301	\$ 5,218,386

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

Reservoir Church
Statement of Functional Expenses

<i>Year ended December 31, 2017</i>	Ministry	General and Administrative	Total
Staff compensation	\$ 195,572	\$ 76,055	\$ 271,627
Depreciation and amortization	180,723	63,497	244,220
Facilities management	160,869	56,522	217,391
Housing allowance	111,767	43,465	155,232
Church tithes and giving	124,149	-	124,149
Mortgage interest	91,195	32,042	123,237
Miscellaneous ministry expenses	115,056	-	115,056
Utilities	47,341	16,633	63,974
Health insurance	44,616	17,351	61,967
Professional fees	3,654	56,126	59,780
Food and kitchen expense	38,190	13,418	51,608
Other benefits	27,544	10,711	38,255
Insurance	23,945	8,412	32,357
Events	31,762	-	31,762
Supplies	22,856	8,031	30,887
Advertising and marketing	-	24,620	24,620
Payroll taxes and fees	13,300	5,172	18,472
Office expenses	-	15,618	15,618
Appreciation and gifts	14,519	-	14,519
Bank fees	-	14,399	14,399
Technology	5,182	1,821	7,003
Travel	4,641	-	4,641
Books and resources	4,608	-	4,608
Other general expenses	-	127	127
	\$ 1,261,489	\$ 464,020	\$ 1,725,509

*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
Other general expenses	-	1,433	1,433
Leadership development	638	-	638
	\$ 1,238,281	\$ 498,850	\$ 1,737,131

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

Reservoir Church
Statements of Cash Flows

<i>Years ended December 31,</i>	2017	2016
Cash Flows from Operating Activities:		
Change in net assets	\$ 37,915	\$ (19,468)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	244,220	239,130
Net realized and unrealized gains on investments	(77,934)	(38,333)
Increase (decrease) in cash resulting from a change in:		
Prepaid expenses	-	8,564
Accounts payable	13,354	(45,940)
Accrued expenses	3,071	17,379
Deferred rent	116,694	-
Net Cash Provided by Operating Activities	337,320	161,332
Cash Flows from Investing Activities:		
Proceeds from sale of investments	(295,556)	170,261
Purchases of investments	267,488	(170,261)
Purchases of property and equipment	(71,467)	(66,841)
Net Cash Used in Investing Activities	(99,535)	(66,841)
Cash Flows from Financing Activities:		
Payments on long-term debt	(98,724)	(94,705)
Net Cash Used in Financing Activities	(98,724)	(94,705)
Net Increase (Decrease) in Cash	139,061	(214)
Cash, beginning of year	418,372	418,586
Cash, end of year	\$ 557,433	\$ 418,372
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ 123,237	\$ 127,451

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

Reservoir Church

Notes to Financial Statements

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

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

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, 2017 and 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 \$24,620 and \$78,246 for the years ended December 31, 2017 and 2016, 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

Subsequent Events

The Church has evaluated subsequent events through May 31, 2018, 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, 2017 and 2016, the Company has \$325,562 and \$150,914 in excess of FDIC limits, respectively.

4. Investments

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

<i>December 31, 2017</i>	Cost	Fair Value	Unrealized Appreciation
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	13,885	13,885	-
	<u>\$ 507,158</u>	<u>\$ 578,297</u>	<u>\$ 71,139</u>

<i>December 31, 2016</i>	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Exchange traded funds	\$ 10,219	\$ 9,756	\$ (463)
Equity funds	229,305	240,226	10,921
Fixed income funds	220,024	212,976	(7,048)
Money market funds	9,337	9,337	-
	<u>\$ 468,885</u>	<u>\$ 472,295</u>	<u>\$ 3,410</u>

See accompanying independent accountant's review report.

Reservoir Church

Notes to Financial Statements

Investment return is summarized as follows:

<i>Years Ending December 31,</i>	2017	2016
Realized gains	\$ 6,795	\$ 34,923
Unrealized gains	71,139	3,410
	\$ 77,934	\$ 38,333

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:

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.

See accompanying independent accountant's review report.

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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, 2017:

	Level 1	Level 2	Level 3	Total
Fixed income funds	\$ 223,725	\$ -	\$ -	\$ 223,725
Equities:				
Financial services	182,139	-	-	182,139
Technology	44,020	-	-	44,020
Consumer	28,182	-	-	28,182
Other	23,063	-	-	23,063
Industrials	17,553	-	-	17,553
Utilities	12,527	-	-	12,527
Total Equities	307,484	-	-	307,484
Money Market	13,885	-	-	13,885
Exchange Traded Funds	33,203	-	-	33,203
Total Assets at Fair Value	\$ 578,297	\$ -	\$ -	\$ 578,297

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
Equities:				
Financial services	200,342	-	-	200,342
Consumer	20,603	-	-	20,603
Utilities	10,628	-	-	10,628
Industrials	8,652	-	-	8,652
Total Equities	240,225	-	-	240,225
Money Market	9,337	-	-	9,337
Exchange Traded Funds	9,756	-	-	9,756
Total Assets at Fair Value	\$ 472,295	\$ -	\$ -	\$ 472,295

See accompanying independent accountant's review report.

Reservoir Church

Notes to Financial Statements

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, which they were in compliance with at December 31, 2017. The balance of this note was \$3,196,859 and \$3,295,583 at December 31, 2017 and 2016, respectively.

Long-term debt matures as follows:

Years ending December 31,

2018	\$	102,533
2019		106,490
2020		110,279
2021		114,854
2022		119,285
Thereafter		2,643,418
Total	\$	3,196,859

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. Deferred rental revenue, included in current liabilities, was \$155,592 and \$38,898 as of December 31, 2017 and 2016, respectively.

Future rental income is as follows:

Years ending December 31,

2018	\$	466,776
2019		272,286
Total	\$	739,062

See accompanying independent accountant's review report.

Reservoir Church

Notes to Financial Statements

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, 2017 and 2016, was \$11,592 and \$10,954, respectively. Future minimum payments under the lease agreements are as follows:

Years ending December 31,

2018	\$	11,967
2019		9,306
Total	\$	21,273

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 \$27,521 and \$45,350 to the plan during the years ended December 31, 2017 and 2016, respectively.

See accompanying independent accountant's review report.