

RESERVOIR CHURCH

FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

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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 statements of financial position as of December 31, 2020 and 2019 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, 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.

Mark D. Savage, CPA

Mark D. Savage, CPA
Burlington, Massachusetts
April 20, 2021

RESERVOIR CHURCH

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash	\$ 434,525	\$ 203,041
Investments	589,653	559,083
Accounts receivable	3,600	0
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	1,027,778	762,124
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT:		
Building and improvements	9,467,172	9,467,172
Land	1,015,919	1,015,919
Equipment	436,231	423,031
Furniture and fixtures	119,218	119,218
	<hr/>	<hr/>
	11,038,540	11,025,340
Less: Accumulated depreciation	4,017,696	3,768,547
	<hr/>	<hr/>
TOTAL PROPERTY AND EQUIPMENT	7,020,844	7,256,793
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 8,048,622</u>	<u>\$ 8,018,917</u>

See Accompanying Notes and Independent Accountant's Review Report

RESERVOIR CHURCH

STATEMENTS OF FINANCIAL POSITION (continued)

DECEMBER 31, 2020 AND 2019

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES:		
Mortgage payable, current portion	\$ 92,985	\$ 246,684
Accounts payable	0	5,579
Accrued expenses	83,850	63,417
Deferred rent	0	128,462
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	176,835	444,142
LONG-TERM LIABILITIES:		
Mortgage payable, net of current portion	<hr/> 2,265,208	<hr/> 2,596,358
	<hr/>	<hr/>
TOTAL LIABILITIES	2,442,043	3,040,500
NET ASSETS, without donor restrictions	<hr/> 5,606,579	<hr/> 4,978,417
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,048,622</u>	<u>\$ 8,018,917</u>

See Accompanying Notes and Independent Accountant's Review Report

RESERVOIR CHURCH
STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUE AND SUPPORT:		
Tithes and offerings	\$ 1,199,112	\$ 972,193
Rental income	507,965	481,511
Ministry	405,625	144,391
Investment income/(loss)	16,535	117,444
Forgiveness of debt - PPP loan	128,598	0
Other income	1,989	10,745
	<u>2,259,824</u>	<u>1,726,284</u>
 TOTAL REVENUE AND SUPPORT		
FUNCTIONAL EXPENSES:		
Program services		
Ministry	1,175,087	1,338,293
Support services		
General and administrative	456,575	493,603
	<u>1,631,662</u>	<u>1,831,896</u>
 TOTAL FUNCTIONAL EXPENSES		
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	628,162	(105,612)
NET ASSETS, BEGINNING OF THE YEAR	<u>4,978,417</u>	<u>5,084,029</u>
NET ASSETS, END OF THE YEAR	<u>\$ 5,606,579</u>	<u>\$ 4,978,417</u>

See Accompanying Notes and Independent Accountant's Review Report

RESERVOIR CHURCH

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>TOTAL</u>	<u>MINISTRY</u>	<u>GENERAL & ADMINISTRATIVE</u>
FUNCTIONAL EXPENSES:			
Staff compensation	\$ 376,582	\$ 271,139	\$ 105,443
Depreciation	249,149	184,370	64,779
Facilities management	144,320	106,797	37,523
Housing Allowance	187,534	135,024	52,510
Church tithes and giving	98,165	98,165	0
Mortgage interest	126,548	93,646	32,902
Miscellaneous ministry expenses	48,198	48,198	0
Utilities	54,907	40,631	14,276
Health insurance	79,045	56,912	22,133
Professional fees	45,896	0	45,896
Food and kitchen expenses	14,919	11,040	3,879
Other benefits	32,566	23,448	9,118
Insurance	47,509	35,157	12,352
Events	3,650	3,650	0
Supplies	25,143	18,606	6,537
Advertising and marketing	12,990	0	12,990
Payroll taxes and fees	23,333	16,800	6,533
Office expenses	10,852	0	10,852
Appreciation and gifts	4,911	4,911	0
Bank fees	13,361	0	13,361
Technology	18,781	13,898	4,883
Travel	8,977	8,977	0
Books and resources	3,718	3,718	0
Other general expenses	608	0	608
	<hr/>	<hr/>	<hr/>
TOTAL FUNCTIONAL EXPENSES	\$ 1,631,662	\$ 1,175,087	\$ 456,575

See Accompanying Notes and Independent Accountant's Review Report

RESERVOIR CHURCH

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>TOTAL</u>	<u>MINISTRY</u>	<u>GENERAL & ADMINISTRATIVE</u>
FUNCTIONAL EXPENSES:			
Staff compensation	\$ 375,604	\$ 270,435	\$ 105,169
Depreciation	246,260	182,232	64,028
Facilities management	216,087	159,904	56,183
Housing Allowance	196,185	141,253	54,932
Church tithes and giving	112,763	112,763	0
Mortgage interest	165,640	122,574	43,066
Miscellaneous ministry expenses	47,462	47,462	0
Utilities	60,801	44,993	15,808
Health insurance	76,974	55,421	21,553
Professional fees	50,840	0	50,840
Food and kitchen expenses	43,008	31,826	11,182
Other benefits	39,248	28,259	10,989
Insurance	41,807	30,937	10,870
Events	24,519	24,519	0
Supplies	23,490	17,383	6,107
Advertising and marketing	9,933	0	9,933
Payroll taxes and fees	24,529	17,661	6,868
Office expenses	10,365	0	10,365
Appreciation and gifts	11,173	11,173	0
Bank fees	9,980	0	9,980
Technology	21,466	15,885	5,581
Travel	19,635	19,635	0
Books and resources	3,978	3,978	0
Other general expenses	149	0	149
	<hr/>	<hr/>	<hr/>
TOTAL FUNCTIONAL EXPENSES	\$ 1,831,896	\$ 1,338,293	\$ 493,603

See Accompanying Notes and Independent Accountant's Review Report

RESERVOIR CHURCH
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets without donor restrictions	\$ 628,162	\$ (105,612)
Adjustments to reconcile changes in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	249,149	246,260
Net realized and unrealized (gains)/losses on investments	(5,007)	(98,607)
(Increase) decrease in current assets:		
Accounts receivable	(3,600)	0
Increase (decrease) in current liabilities:		
Accounts payable	(5,579)	(8,295)
Accrued expenses	20,433	4,320
Deferred rent	(128,462)	89,564
	<u>755,096</u>	<u>127,630</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	694,742	1,272,892
Purchases of investments	(720,305)	(1,031,745)
Acquisition of property and equipment	(13,200)	(184,811)
	<u>(38,763)</u>	<u>56,336</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgage payable	(484,849)	(231,351)
	<u>(484,849)</u>	<u>(231,351)</u>
NET CASH USED IN FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	231,484	(47,385)
CASH AT BEGINNING OF YEAR	<u>203,041</u>	<u>250,426</u>
CASH AT END OF YEAR	<u>\$ 434,525</u>	<u>\$ 203,041</u>

See Accompanying Notes and Independent Accountant's Review Report

RESERVOIR CHURCH

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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, "Financial Statements of Non-for-Profit Organization", as amended by Accounting Standards Update ("ASU") 2016-14. Under ASU 2016-14, the Church is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Church follows ASC 958-605, Accounting for Contributions Received and Contributions Made. In accordance with ASC 958-605, contributions received are recorded as support either without or with donor restrictions depending on the existence or absence of any donor-imposed restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board may designate, from net assets without donor restrictions, net assets for a specific use or cause.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

RESERVOIR CHURCH

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Securities

The Church records investments purchases at cost, or if donated, at fair value on the date of the contribution. Thereafter, investments are reported at fair value, as determined by quoted market prices, in the statements of financial position. Investment income/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

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 \$249,149 and \$246,260 for the years ended December 31, 2020 and 2019, 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. At December 31, 2020 and 2019, 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 without donor restrictions or with donor restrictions support, depending on the existence and/or nature of any donor restrictions.

RESERVOIR CHURCH

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

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 \$12,990 and \$9,933 for the years ended December 31, 2020 and 2019, 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.

Functional Allocation of Expenses

Expenses directly related to a program's function are distributed to that program. Expenses directly related to the administrative function are distributed to general & administrative. Other expenses related to both functions are allocated based upon management's estimate of the percentage attributable to each program or general & administrative.

NOTE B - INVESTMENTS

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

<u>December 31, 2020</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Exchange traded funds	\$ 53,016	\$ 60,514	\$ 7,498
Equity funds	252,529	326,344	73,815
Fixed income funds	184,472	194,724	10,252
Money market funds	<u>8,071</u>	<u>8,071</u>	<u>-</u>
	<u>\$ 498,088</u>	<u>\$ 589,653</u>	<u>\$ 91,565</u>
<u>December 31, 2019</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Exchange traded funds	\$ 43,592	\$ 48,960	\$ 5,368
Equity funds	367,856	399,891	32,035
Fixed income funds	90,815	93,796	2,981
Money market funds	<u>16,437</u>	<u>16,437</u>	<u>-</u>
	<u>\$ 518,699</u>	<u>\$ 559,083</u>	<u>\$ 40,384</u>

RESERVOIR CHURCH

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE B – INVESTMENTS (continued)

Investment income consists of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 16,355	\$ 26,133
Realized gains/(losses)	(33,404)	47,399
Unrealized gains/(losses)	38,411	51,208
Investment expenses	<u>(4,827)</u>	<u>(7,296)</u>
Total investment income	<u>\$ 16,535</u>	<u>\$ 117,444</u>

NOTE C - MORTGAGE PAYABLE

At December 31, 2020 and 2019, the Church's long-term liabilities consisted of the following:

	<u>2020</u>	<u>2019</u>
Mortgage payable in monthly installments of \$15,951, which includes interest at a fixed rate of 4.25% per annum. The mortgage matures on July 31, 2030. The Church is subject to certain financial covenants, which they were in compliance with at December 31, 2020 and 2019. The mortgage is secured by the Church's real estate.	\$ 2,358,192	\$ 2,843,042
Less: Current portion	<u>92,985</u>	<u>246,684</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 2,265,208</u>	<u>\$ 2,596,358</u>

The following is a summary of the Church's principal maturities of long-term liabilities as of December 31, 2020:

December, 2021	\$ 92,985
December, 2022	97,014
December, 2023	101,219
December, 2024	105,605
December, 2025	110,182
Thereafter	<u>1,851,187</u>
Total long-term liabilities	<u>\$ 2,358,192</u>

RESERVOIR CHURCH

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

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, 2020 and 2019, respectively.

RESERVOIR CHURCH

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE E – OPERATING LEASES

The Church leases a portion of its building to the Benjamin Banneker Charter School under an agreement that expires on June 30, 2021 (as extended). Rent is \$537,447 and \$550,883 per annum for the periods ending on June 30, 2020 and 2021, respectively. Rent is due quarterly on the first day of February, May, August, and November.

Beginning September 1, 2020, the Church leased additional space, known as Room 207 (“Zebras” Room) and Room 206, to the Benjamin Banneker Charter School under an agreement that expires on June 30, 2021. Rent is due on the first day of each month at a rate of \$1,800 per month.

Deferred rental revenue, included in current liabilities, was \$-0- and \$128,462 as of December 31, 2020 and 2019, respectively. Future rental income is \$275,442 for the years ending December 31, 2021.

Rent receivable, included in current assets as accounts receivable, was \$3,600 as of December 31, 2020 and is for two months of rental income for Room 207 and Room 206.

The Church also leases office equipment with a monthly payment of \$630 and expiring in May 2024. The total lease expenses for the years ended December 31, 2020 and 2019, were \$8,190 and \$9,720 respectively.

Future minimum payments under the lease agreements at December 31, 2020 are as follows:

December, 2021	\$ 6,930
December, 2022	7,560
December, 2023	7,560
December, 2024	<u>2,520</u>
Total future minimum lease payments	<u>\$ 25,200</u>

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, 2020, all the Church’s cash balances are insured.

RESERVOIR CHURCH

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE G – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the date of the Statement of Financial position, comprise of the following at December 31, 2020:

Cash	\$ 434,525
Investments	<u>589,653</u>
Total	<u>\$ 1,024,178</u>

NOTE H - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid (refunded) during the year for:

	<u>2020</u>	<u>2019</u>
Interest	<u>\$ 126,548</u>	<u>\$ 165,640</u>

NOTE I – 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, 2020 and 2019, the Church matched 50% of employees' contributions up to \$5,000 of matching contributions per employee. The Church contributed \$25,000 and \$30,890 to the plan during the years ended December 31, 2020 and 2019, respectively.

NOTE J – SUBSEQUENT EVENTS

The Church's management and Board of Directors have evaluated all material subsequent events from the end of the fiscal year through April 20, 2021, the date the financial statement was available to be issued. Material subsequent events that have occurred since December 31, 2020 are the Church has paid two significant principal mortgage payments of \$304,000 and \$310,000 on February 23, 2021 and March 3, 2021, respectively.