

RADIANT CHURCH

Financial Statements
With Independent Auditors' Report

December 31, 2022 and 2021

RADIANT CHURCH

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INDEPENDENT AUDITORS' REPORT

Elder Board
Radiant Church
Kalamazoo, Michigan

Opinion

We have audited the accompanying financial statements of Radiant Church, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Radiant Church as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Radiant Church and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Radiant Church's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Elder Board
Radiant Church
Kalamazoo, Michigan

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Radiant Church's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Radiant Church's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Grand Rapids, Michigan
May 24, 2023

RADIANT CHURCH

Statements of Financial Position

	December 31,	
	<u>2022</u>	<u>2021</u>
ASSETS:		
Cash and cash equivalents	\$ 3,308,107	\$ 4,560,977
Prepaid expenses and other assets	145,575	137,124
Financing lease right-of-use assets	71,088	-
Property and equipment, net	<u>14,675,532</u>	<u>13,412,464</u>
Total Assets	<u>\$ 18,200,302</u>	<u>\$ 18,110,565</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 255,352	\$ 510,622
Accrued expenses and other liabilities	254,744	513,103
Deferred compensation	69,977	81,639
Financing lease liabilities	70,384	-
Notes payable, net	<u>6,345,108</u>	<u>6,533,076</u>
Total liabilities	<u>6,995,565</u>	<u>7,638,440</u>
Net Assets:		
Without donor restrictions	11,204,737	10,472,125
With donor restrictions	-	-
Total net assets	<u>11,204,737</u>	<u>10,472,125</u>
Total Liabilities and Net Assets	<u>\$ 18,200,302</u>	<u>\$ 18,110,565</u>

See independent auditors' report and notes to financial statements

RADIANT CHURCH

Statements of Activities

	Year Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE:						
Contributions	\$ 11,717,507	\$ -	\$ 11,717,507	\$ 11,570,229	\$ -	\$ 11,570,229
Contributed nonfinancial assets	241,331	-	241,331	151,027	-	151,027
Tuition and fees	312,995	-	312,995	166,308	-	166,308
Ministry fees	187,453	-	187,453	151,756	-	151,756
Other revenue	434,371	-	434,371	243,166	-	243,166
Total Support and Revenue	12,893,657	-	12,893,657	12,282,486	-	12,282,486
NET ASSETS RELEASED FROM RESTRICTIONS:						
Satisfaction of purpose restrictions	-	-	-	1,601,316	(1,601,316)	-
Total Support, Revenue, and Net Assets Released from Restrictions	12,893,657	-	12,893,657	13,883,802	(1,601,316)	12,282,486
EXPENSES:						
Program services	10,225,629	-	10,225,629	8,354,686	-	8,354,686
Management and general	1,935,416	-	1,935,416	1,660,515	-	1,660,515
Fundraising	-	-	-	-	-	-
Total Expenses	12,161,045	-	12,161,045	10,015,201	-	10,015,201
Change in Net Assets	732,612	-	732,612	3,868,601	(1,601,316)	2,267,285
Net Assets, Beginning of Year	10,472,125	-	10,472,125	6,603,524	1,601,316	8,204,840
Net Assets, End of Year	\$ 11,204,737	\$ -	\$ 11,204,737	\$ 10,472,125	\$ -	\$ 10,472,125

See independent auditors' report and notes to financial statements

RADIANT CHURCH

Statements of Functional Expenses

Year Ended December 31,

	2022				2021			
	Program Services	Supporting Activities		Total	Program Services	Supporting Activities		Total
		Management and General	Fundraising			Management and General	Fundraising	
Wages and benefits	\$ 4,282,350	\$ 1,138,346	\$ -	\$ 5,420,696	\$ 3,530,184	\$ 882,546	\$ -	\$ 4,412,730
Grants to others	2,232,526	-	-	2,232,526	1,302,293	-	-	1,302,293
Supplies and equipment	1,060,762	125,207	-	1,185,969	904,222	99,116	-	1,003,338
Depreciation and amortization	729,084	81,009	-	810,093	631,967	70,219	-	702,186
Other	298,200	268,671	-	566,871	315,194	275,967	-	591,161
Facility costs	464,614	51,624	-	516,238	493,013	98,788	-	591,801
Professional fees	365,215	83,784	-	448,999	411,835	45,759	-	457,594
Rent	342,614	38,068	-	380,682	371,806	41,312	-	413,118
Interest	280,250	31,139	-	311,389	247,865	27,541	-	275,406
Travel	142,408	3,054	-	145,462	119,607	-	-	119,607
In-kind services	-	111,447	-	111,447	-	116,300	-	116,300
Insurance	27,606	3,067	-	30,673	26,700	2,967	-	29,667
Total Expenses	\$10,225,629	\$ 1,935,416	\$ -	\$12,161,045	\$ 8,354,686	\$ 1,660,515	\$ -	\$10,015,201

See independent auditors' report and notes to financial statements

RADIANT CHURCH

Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 732,612	\$ 2,267,285
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	810,093	702,186
Non-cash effect of change in accounting principle	1,521	-
Contributions restricted for long term purpose	(1,256,435)	(2,293,331)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(8,451)	(41,526)
Accounts payable	(51,693)	379,672
Accrued expenses and other liabilities	(180,676)	88,504
Deferred compensation	(11,662)	(11,663)
Net Cash Provided by Operating Activities	35,309	1,091,127
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,262,405)	(3,769,912)
Net Cash Used by Investing Activities	(2,262,405)	(3,769,912)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	(529,084)	(452,655)
Proceeds from note payable	341,116	1,271,209
Principal paid on finance leases	(94,241)	-
Proceeds from contributions restricted for long term purpose	1,256,435	2,293,331
Net Cash Provided by Financing Activities	974,226	3,111,885
Change in Cash and Cash Equivalents	(1,252,870)	433,100
Cash and Cash Equivalents, Beginning of Year	4,560,977	4,127,877
Cash and Cash Equivalents, End of Year	\$ 3,308,107	\$ 4,560,977
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 305,979	\$ 275,713
Right-of-use assets obtained in exchange for financing lease obligations	\$ 164,625	
Purchases of property and equipment in accrued expenses and other liabilities	\$ -	\$ 203,577

See independent auditors' report and notes to financial statements

RADIANT CHURCH

Notes to Financial Statements

December 31, 2022 and 2021

1. NATURE OF ORGANIZATION:

Radiant Church (Church) is a nonprofit corporation established under the laws of the state of Michigan to operate as a charitable religious organization within the meaning of Section 501(c)(3) of the Internal Revenue Code (code). It is exempt from federal and state income taxes and contributions by the public are deductible for income tax purposes. The Church is not a private foundation under section 509(a) of the code.

2. SIGNIFICANT ACCOUNTING POLICIES:

The Church maintains its accounts and prepares its financial statements on the accrual basis of accounting. The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from these estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking, savings, and money market accounts. As of December 31, 2022 and 2021, \$3,147,740 and \$4,165,900, respectively, was not covered by Federal Deposit Insurance Corporation (FDIC) insurance limits. The Church has a policy stating donated investments are liquidated upon receipt. As of December 31, 2022 and 2021, there were approximately \$129,300 and \$28,700 respectively, of donated investments classified as cash and cash equivalents which were liquidated shortly after year end. There was no material change in value of the donated investments from the date of receipt to the date of sale (subsequent to year end).

FINANCING RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Church adopted Accounting Standards Update (ASU) 2016-02 (see recently adopted accounting standards below) and its related amendments as of January 1, 2022, which resulted in the recognition of financing lease right-of-use assets totaling \$71,088 as of December 31, 2022, as well as financing lease obligations totaling \$70,384. The Church elected to adopt the transition package relief provisions from ASU 2018-11 and recorded the impact of adoption as of January 1, 2022, without restating prior-year amounts. The Church also elected to use the risk free discount rate as of the commencement of the lease. The additional lease disclosures can be found in Note 7.

RADIANT CHURCH

Notes to Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, if purchased. Donations of property and equipment are recorded at the estimated fair value at the date of the gift. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Church reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Church follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$5,000. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

DEFERRED REVENUE

Deferred revenue consists of tuition collected in advance. Tuition revenue is recognized as the classes occur. Deferred revenue is recorded within accrued expenses and other liabilities on the statement of financial position and consists of the following at:

	December 31,	
	2022	2021
Deferred revenue, beginning of the year	\$ 97,113	\$ -
Revenue recognized included in beginning balance	(97,113)	-
Cash received in advance of performance	95,206	97,113
Deferred revenue, end of the year	<u>\$ 95,206</u>	<u>\$ 97,113</u>

CLASSES OF NET ASSETS

The financial statements report amounts separately by classes of net assets:

- *Without donor restrictions*- net assets that are currently available for the Church's purposes.
- *With donor restrictions*- are net assets contributed with donor stipulations for specific operating purposes, programs, or with timing restrictions. Net assets with donor restrictions consist of contributions received for the Radiant Film and the capital campaign (Kingdom Builders).

RADIANT CHURCH

Notes to Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE

Contributions are reported when received, which may be when cash or other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All contributions are considered available for general use unless specifically restricted by the donor. If the donor restriction is fulfilled in the same year in which the contribution is received, the Church reports the support as without donor restrictions. Contributions of nonfinancial assets consist of contributed services and advertising. See Note 8 for expanded disclosure on contributions of nonfinancial assets.

Revenue from tuition and fees is recognized during the period in which the student attends class and the performance obligations are met. The Church measures the performance obligation from the commencement of classes to the end of the school year.

Ministry fees consist of various church program fees. Other revenue consists of merchandise sales and mission trip fees. Ministry fees and other revenue are recorded as the revenue is earned, which is when the program, sale, or trip occurs.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the program services and supporting activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Certain costs not directly attributable to specific program services or functions have been allocated to program services and supporting activities. Management allocates costs based on square footage and staff time attributed to the function. Management considers its method of allocation to be equitable. The Church incurred no joint costs during the years ended December 31, 2022 and 2021.

ADVERTISING COSTS

The Church expenses advertising costs as incurred. Total advertising expense was \$132,137 and \$161,341, including donated advertising of \$111,447 and \$116,300, for the years ending December 31, 2022 and 2021, respectively.

RECENTLY ADOPTED ACCOUNTING STANDARDS:

In September 2020, the FASB issued ASU No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets. Adoption of this standard had no impact on net assets as of December 31, 2022 and 2021, however the Church added disclosures in Note 8.

RADIANT CHURCH

Notes to Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ADOPTED ACCOUNTING STANDARDS, continued:

In 2016, the FASB issued ASU No. 2016-02, *Leases* (topic 842 of the FASB Accounting Standards Codification). The Church adopted the provisions of this new standard during the year ended December 31, 2022, on an adoption date approach. The new standard requires organizations that lease assets with terms of more than 12 months to recognize on the statements of financial position the assets and liabilities for the right-of-use and obligations created by the leases. Lessor accounting remained largely unchanged under the new standard. The Church has elected the transition package relief option for leases commenced before the effective date of the standard, which allows the Church the option to not reassess existing or expiring contracts, lease classification or initial direct costs. The Church also elected the practical expedient to not separate lease and non-lease components and the accounting policy election to exclude short-term leases with lease terms of 12 months or less. Additional disclosures were added in Note 7. The effect of the adjustment to the opening balance of net assets was immaterial. As it was deemed immaterial, the net asset difference of \$1,521 was adjusted through rental expenses on the statements of functional expenses. This amount is reported as a non-cash effect of change in accounting principle on the statements of cash flows.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects the Church's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The following table represents liquidity:

	December 31,	
	2022	2021
Financial assets, at year end:		
Cash and cash equivalents	\$ 3,308,107	\$ 4,560,977
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,308,107	\$ 4,560,977

The Church is substantially supported by contributions, which at times are received with donor restrictions. Those contributions with donor restrictions require resources to be used in a particular manner or in a future period. The Church must maintain sufficient resources to meet those responsibilities to its donors. The Church has established guidelines for making decisions related to managing cash reserves in a prudent manner. At December 31, 2022 and 2021, the Church also has an unused portion of the line of credit in the amount of \$2,000,000, as described in Note 5, that can be drawn upon as needed.

RADIANT CHURCH

Notes to Financial Statements

December 31, 2022 and 2021

4. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at:

	December 31,	
	2022	2021
Land	\$ 248,748	\$ 248,748
Building and improvements	16,478,592	14,529,888
Equipment	3,006,955	2,982,734
Vehicles	18,784	18,784
Construction in progress	-	208,147
	<u>19,753,079</u>	<u>17,988,301</u>
Less accumulated depreciation	<u>(5,077,547)</u>	<u>(4,575,837)</u>
Total property and equipment, net	<u>\$ 14,675,532</u>	<u>\$ 13,412,464</u>

5. LINE OF CREDIT

In May 2021, the Church opened a straight line of credit with a financial institution in the amount of \$2,000,000. The line of credit has a variable interest rate based on the Wall Street Journal Prime Rate, which was 5.5 percent and 3.75 percent at December 31, 2022 and 2021, respectively. There were no draws or an outstanding balance on the line of credit during the years ended December 31, 2022 and 2021.

RADIANT CHURCH

Notes to Financial Statements

December 31, 2022 and 2021

6. NOTES PAYABLE:

Notes payable consists of the following:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Note payable to a bank, which is collateralized by real property and requires monthly principal and interest payments of \$46,534, including interest at a fixed rate of 4.39 percent. The note had an original balance of \$5,800,000, and the mortgage matures in April 2026.	\$ 3,770,447	\$ 4,242,066
Construction note payable to a bank (converted to note payable in May 2022), collateralized by real property. The note had interest only payments through May 2022, and principal and interest monthly payments commencing June 2022 of \$19,574, including interest at 5.5 percent. The mortgage matures with a balloon payment in May 2027.	<u>2,574,661</u>	<u>2,291,010</u>
	<u>\$ 6,345,108</u>	<u>\$ 6,533,076</u>

The scheduled maturities of notes payable are as follows:

Year Ending December 31:

2023	\$ 541,626
2024	564,952
2025	589,289
2026	2,670,592
2027	<u>1,978,649</u>
Total	<u>\$ 6,345,108</u>

Under the terms of the notes payable, the Church is subject to certain covenants. The Church is in compliance with these financial covenants as of December 31, 2022 and 2021.

RADIANT CHURCH

Notes to Financial Statements

December 31, 2022 and 2021

7. FINANCING RIGHT-OF-USE ASSETS AND FINANCING LEASE LIABILITIES:

The Church has several lease agreements for various equipment including printers and copiers, which mature at various dates through October 2025. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term on the inception date of the lease. The leases require monthly payments ranging from \$291 to \$1,008.

Financing right-of-use assets and liabilities, as well as lease cost, consist of the following at December 31, 2022

Financing lease right-of-use assets	\$	71,088
Financing lease liabilities	\$	70,384
Financing lease cost:		
Amortization of right-of-use assets	\$	84,211
Interest on lease liabilities	\$	1,196
Weighted average discount rate		1.15%
Weighted average remaining lease term (in years)		2.84 years

Future minimum lease payments required under financing leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Year Ending December 31,</u>		
2023	\$	42,273
2024		24,585
2025		4,511
Less imputed interest		<u>(985)</u>
Total	\$	<u><u>70,384</u></u>

RADIANT CHURCH

Notes to Financial Statements

December 31, 2022 and 2021

8. CONTRIBUTED NONFINANCIAL ASSETS:

The Church receives gifts-in-kind contributions consisting of stock donations, advertising space and contributed services. Stock donations are recorded at fair market value at the date of donation. Further, contributed services create or enhance nonfinancial assets or fair market value at the date of donation. Additionally, donated advertising services are recorded at fair value in the period received.

Contributed nonfinancial assets consist of the following:

	December 31,	
	2022	2021
Donated stock	\$ 129,884	\$ 34,727
Donated advertising space	111,447	116,300
	<u>\$ 241,331</u>	<u>\$ 151,027</u>

9. DEFERRED COMPENSATION AND RETIREMENT PLAN:

The Church has an agreement to fund an annuity policy for one of the Church's pastors as part of a non-qualified deferred compensation agreement. The Church will fund an annuity in the amount of \$11,663 per year. Scheduled payments to the plan are due according to the following schedule:

Year Ending December 31:

2023	\$ 11,663
2024	11,663
2025	11,663
2026	11,663
2027	11,663
Thereafter	<u>11,662</u>
	<u>\$ 69,977</u>

The Church also offers a 403(b) retirement plan and provides discretionary matching contributions. The Church made matching contributions to the plan of \$58,155 and \$58,695 for the years ended December 31, 2022 and 2021, respectively.

10. RELATED PARTIES:

The Church received contributions of approximately \$281,000 and \$218,000 from members of the elder board and various committees during the years ended December 31, 2022 and 2021, respectively.

RADIANT CHURCH

Notes to Financial Statements

December 31, 2022 and 2021

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through May 24, 2023, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.