## ALL SAINTS PARISH 2018 WRITE-OFFS, RECLASSIFICATIONS AND ADJUSTMENTS

1. **Write-Offs:**
    a. Write-off of checks and deposits older than 4 months:

| | |
|---|---|
| 2011 Cks uncleared at 12/31/2017 | 56.23 |
| 2012 Cks uncleared at 12/31/2017 | 1,391.38 |
| 2013 Cks uncleared at 12/31/2017 | 1,999.27 |
| 2014 Cks uncleared at 12/31/2017 | 5,431.90 |
| 2015 Cks uncleared at 12/31/2017 | 2,454.18 |
| 2016 Cks uncleared at 12/31/2017 | 6,788.54 |
| 2017 Cks uncleared at 12/31/2017 | 19,838.86 |
| 2018 Cks uncleared at 12/31/2017 | 1,992.66 |
| **Total Uncleared Checks** | **39,953.02** |
| Adjusting Entry: DR Cash / CR Unrestricted Net Assets | |

    b. Write-off of Credit Balance in Credit Card Accounts for American Express in the amount of $3,987. The card / account is no longer in existence and it is estimated the credit balance is at least 5 years old:

    ***Adjusting Entry: CR Credit Cards Payable $3,987 / DR Unrestricted Net Assets- To remove from Payables***

    c. Write-Off of Long-term Loans Outstanding per the payoffs from Kingdom Account dated 2/1/18
        i. Per email dated 1/28/2018 by United Bank outlining payoff as follows:
        - **$43,144.68** ($ 42,921.13 + $223.55 P&I) This is the initial upgrades and start-up costs for the pre-school.
        - **$198,194.19** ($197,590.44 + $603.75 P&I) This is the Note that we will keep open
        - **$91,034.46** ($ 90,978.00 + $ 56.46 P&I) This was the roof Loan.
        - Totals - $332,373.33 ($331,489.57 +$883.76 P&I)

        ***Adjusting Entry: DR Long-term Loans Payable $331,489.57 / CR Unrestricted Net Assets- To remove from Long-Term Liabilities***

2. **Restatements and Reclassifications:**
    a. Non-Financial- to meet new Reporting Guidelines for Non-Profit Entities:

        i. Reclassification of expenses into Program Classifications to reflect ASU 2016-14 which now requires *all* not-for-profits to provide information on expenses by both functional and natural categories that must include a breakdown of expenses into one of three classifications:

a. Program
b. Governance and Overhead
c. Fundraising and Financial

Per guidelines each expense must be traceable to a specific program of the organization or to the financial management and overhead of the non-profit. Expenses should be reported both quantitatively and qualitatively in order to provide donors with useful information on dollars spent and managed.

ii. Reclassification of Net Assets and Revenues into Net Assets Without Restrictions and Net Assets with Donor Restrictions
    1. No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, decreases the number of net asset classes from three to two. The new classes will be *net assets with donor restrictions* and *net assets without donor restrictions*.

iii. Prior to restatement assets were classified as Unrestricted with only the Restricted category being used for endowment and investment funds
    1. Endowment and Investment Funds have been reclassified to Net Assets without Restrictions-Board Designated Restricted- to reflect that they are restricted by internal designation rather than outside donor restrictions.

    2. Restricted Assets and Revenues are any revenue donor designated for a specific purpose. Those funds must be traceable to the express wishes of the donor.

b. Restatement of Preschool Tuition Payments as well as placing preschool receivables on the balance sheet. To meet new ASC 606 Recognition Guidelines:

    i. Under ASC topic 606, paragraph 10-25-23, an entity shall recognize revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer. For each performance obligation, the institution must determine if it has been satisfied either over time or at a point in time. FinREC believes that, generally, students simultaneously receive and consume all of the benefits provided by the institution’s performance because the institution provides instruction or housing to students throughout the academic period, and it would be appropriate for institutions to recognize tuition revenues over time.

Restatements:

**To Accounts Receivable- Preschool Tuition**:

| Month Contract Signed | Add to AR |
|---|---|
| January | 13,200.00 |
| February | 252,300.00 |
| March | 77,600.00 |
| April | 11,600.00 |
| May | 9,650.00 |
| June | 20,950.00 |
| July | 5,800.00 |
| August | 52,000.00 |
| Grand Total | 443,100.00 |

**To Deferred Revenue / Revenue Recognized:**

| | |
|---|---|
| Balance AR 2017 | 123,345.00 |
| Deferred Rev | 492,074.00 |
| Recognized 2017 | 164,024.67 |
| Balance To recognize | 328,049.33 |
| Recognized Sept-May | 41,006.17 |
| Recognize May onward | 40,825.00 |

c. Reclassification of **$23,571.66**- off-balance sheet account "Un-Categorized Expenses"- Allocated to correct expense accounts and placed on the Statement of Financial Position.

d. Reclassification of reimbursable payments from "revenues" to Contra-Expense accounts to reflect the reimbursement of expense including Student Ministry Trips and Events, Mission trips, Parish Retreat, Security expense.

e. Reclassification of **$464,787.57** out of Accounts Payable in to a newly established account “Kingdom Payables” to track Kingdom Expenses as well as reimbursements from Kingdom Savings Account (for KC Expenses See Addendum)

f. Addition to the Balance Sheet and reclassification of **$975,000** loan from endowment to Kingdom Campaign from off-balance sheet into Long-term Liabilities- Kingdom. The amount is carried at Present Value based on 3-year terms, Zero-Interest, discounted at current 3-year Risk Free Rate of 2.5% in accordance with GAAP:

   i. *Liabilities that are a present obligation of the entity arising from past event in which the settlement is expected to result in an outflow from the entity of resources embodying economic benefits- due to be repaid in terms greater than one year and thus should be carried at Present Value of Future Obligation.*

| | |
|---|---|
| $ 975,000.00 | Future Value |
| 2.50% | Average 3-year Risk Free Rate |
| 3 | Year-Terms |
| **$905,384.43** | Present Value |

3. **Adjustments:**

   a. Accumulated Depreciation: Accumulated Depreciation has been adjusted to reflect all property, plant and equipment owned by the church. The amount of Accumulated Depreciation that had been originally taken from the building component of fixed assets was not computable to any discernable method or value- thus it was written off- the books and added back into the historical value of the building. Per GAAP guidelines non-profits should carry fixed assets at historical value. Straight Line Depreciation method was used based on the estimated standard industry useful life.

      *i. The Financial Accounting Standards Board (FASB) requires nonprofit organizations to recognize the depreciation of property and assets in their financial statements. As a result, churches that do not report depreciation will not be eligible for an unqualified opinion from a CPA at the conclusion of an audit.*

| Item(s) | Useful Life | Historical Value | Year 1 Depreciation |
|---|---|---|---|
| Building | 39.5 | 3,451,362.58 | $ 87,376.27 |
| Equipment | 8 | 58,378.91 | $ 7,297.36 |

| | | | |
|---|---|---|---|
| Automobile | 8 | 28,396.39 | $ 3,549.55 |
| Furniture and Fixture | 5 | 114,128.22 | $ 22,825.64 |

4. Addition of Balance Sheet Accounts:
    a. Pledges Receivable - to more accurately manage cash-flow expectations and reflect assets due to the Parish-with a reliable assumption of collectability.
        i. Allowance of Doubtful Pledge Calculation- assumed to be 10% - standard of non-profit pledge collections.
    b. Due to / Due From accounts to manage what is owed to and from each banking account including:
        i. Rectors Discretionary
        ii. Preschool
        iii. Kingdom
    c. Contra-Cash account –“restricted” to better account for incoming highly liquid accounts that are donor designated for specific programs. The MAJORITY of these funds are cash-in-cash-out such as donation to fellowship and hospitality- is consumed immediately, however, other donations such as for discretionary use of associate and assistant Clergy are not as consumable.