

C. DEWITT FOARD & COMPANY, P.A.

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AUDITORS' REPRESENTATIONS LETTER

January 11, 2021

To the Board of Elders of
Providence Road Church of Christ, Charlotte, N.C., Inc.
Charlotte, North Carolina

We have audited the financial statements of Providence Road Church of Christ, Charlotte, N.C., Inc. (the "Church") for the year ended August 31, 2020, and will issue our report thereon dated January 11, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 25, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Church are described in the notes of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Church during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

We noted no estimates included in the financial statements that we considered to be particularly sensitive.

Financial Statement Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement

disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any disclosures affecting the financial statements that we considered to be particularly sensitive.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. We wish to express our appreciation to management and staff for their cooperation and assistance during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. A complete listing of all adjustments, if any, which we identified during our audit is attached to this letter. We have classified these entries as follows:

Closing Entries Management may provide certain information that has not already been incorporated into the financial statements or request that we propose entries based on our computations. We consider the computation and posting of these entries to be a normal part of our audit process and not a misstatement in the financial statements. Management has reviewed the information underlying these adjustments and takes full responsibility for the accuracy of these amounts.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 11, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Church's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Church's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This report is intended solely for the information and use of the management and staff within the Church and is not intended to be and should not be used by anyone other than these specified parties.

Providence Road Church of Christ, Charlotte, N.C., Inc.
January 11, 2021
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Sincerely,

C. DeWitt Foard & Company, P.A.

C. DeWitt Foard and Company, PA
Certified Public Accountants

Providence Road Church of Christ, Charlotte, N.C., Inc.
Normal Closing Entry
August 31, 2020

<i>Description</i>	<i>Number</i>	<i>Debit</i>	<i>Credit</i>
1400 Pre-Paid Expenses	1400	984.56	
Capital Purchases:1610 Audio/Visual/Lighting Equ	1610		11,480.00
Capital Purchases:1620 Building Equipment/System	1620		21,803.34
Capital Purchases:1640 Furniture/Fixtures	1640		8,389.93
Capital Purchases:1650 Office/Computer Equipment	1650		9,306.12
Depreciation - Accumulated:1710 ACCUM DEPR - Aud	1710	318.89	
Depreciation - Accumulated:1720 ACCUM DEPR - Bui	1720	927.88	
Depreciation - Accumulated:1740 ACCUM DEPR - Fur	1740	253.69	
Depreciation - Accumulated:1750 ACCUM DEPR - Off	1750	2,456.12	
Depreciation:5190 Depreciation Expense	5190		3,956.58
Personnel Expense:Staff Development:5520 Preache	5520		984.56
Facilities:Building & Maintenance:5850 Repairs/P	5850	50,979.39	
<i>To convert books to cash basis of accounting</i>			

*PROVIDENCE ROAD CHURCH OF CHRIST,
CHARLOTTE, N.C., INC.*

*FINANCIAL STATEMENTS
AUGUST 31, 2020*

Providence Road Church of Christ, Charlotte, N.C., Inc.

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August 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Elders of
Providence Road Church of Christ, Charlotte, N.C., Inc.
Charlotte, North Carolina

We have audited the accompanying financial statements of Providence Road Church of Christ, Charlotte, N.C., Inc., (the "Church" - a nonprofit corporation), which comprise the statement of financial position – modified cash basis as of August 31, 2020, and the related statements of activities – modified cash basis and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1 to the financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Providence Road Church of Christ, Charlotte, N.C., Inc.
Charlotte, North Carolina*

Basis for Qualified Opinion

As discussed in the accompanying notes, the Church has elected to carry land and buildings on the statement of financial position at values assessed for local property tax purposes with no allowance for depreciation. The effects of this departure from the modified cash basis of accounting have not been determined.

Qualified Opinion

In our opinion, except for the presentation of fixed assets as described above, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and net assets of Providence Road Church of Christ, Charlotte, N.C., Inc. as of August 31, 2020 and its support, revenue, expenses and changes in net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Church's 2019 financial statements, and our report dated October 25, 2019, expressed a similar opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. DeWitt Ford & Company, P.A.
January 11, 2021

Providence Road Church of Christ, Charlotte, N.C., Inc.**Statement of Financial Position - Modified Cash Basis****August 31, 2020, with prior year comparative totals**

	August 31, 2020			Prior Year Comparative Totals
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>TOTALS</u>	
<u>ASSETS</u>				
Operating Assets:				
Cash	\$ 87,398	\$ 249,790	\$ 337,188	\$ 310,174
Certificate of deposit	-	105,485	105,485	100,000
Receivables and other	3,130	-	3,130	1,964
Total	90,528	355,275	445,803	412,138
Fixed Assets	4,188,700	-	4,188,700	4,188,700
TOTAL	\$ 4,279,228	\$ 355,275	\$ 4,634,503	\$ 4,600,838

LIABILITIES AND NET ASSETS

Liabilities - payroll taxes	\$ 396	\$ -	\$ 396	\$ 1,119
Net Assets	4,278,832	355,275	4,634,107	4,599,719
TOTAL	\$ 4,279,228	\$ 355,275	\$ 4,634,503	\$ 4,600,838

Providence Road Church of Christ, Charlotte, N.C., Inc.**Statement of Activities - Modified Cash Basis****Year Ended August 31, 2020, with prior year comparative totals**

	Year Ended August 31, 2020			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Contributions	\$ 1,324,084	\$ 396,830	\$ 1,720,914	\$ 1,671,799
Other income	25,388	3,894	29,282	1,466
Total	1,349,472	400,724	1,750,196	1,673,265
<u>EXPENSES</u>				
Personnel	876,364	318	876,682	817,983
Facilities	190,605	-	190,605	161,007
Family needs	31,602	18,635	50,237	104,894
Outreach	45,018	360,497	405,515	333,005
Administrative	136,848	-	136,848	208,452
Total	1,280,437	379,450	1,659,887	1,625,341
CHANGE IN NET ASSETS				
FROM OPERATIONS	69,035	21,274	90,309	47,924
OTHER CHANGES:				
Major capital improvements	(55,921)	-	(55,921)	(213,223)
Change in value of property	-	-	-	(868,600)
CHANGE IN NET ASSETS	13,114	21,274	34,388	(1,033,899)
NET ASSETS, BEGINNING	4,265,718	334,001	4,599,719	5,633,618
NET ASSETS, ENDING	\$ 4,278,832	\$ 355,275	\$ 4,634,107	\$ 4,599,719

Providence Road Church of Christ, Charlotte, N.C., Inc.**Statement of Cash Flows - Modified Cash Basis****Year Ended August 31, 2020, with prior year comparative totals**

	Year Ended August 31, 2020	Prior Year Comparative Totals
	<hr/>	<hr/>
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 34,388	\$ (1,033,899)
Decrease in property value	-	868,600
Major capital improvements	55,921	213,223
Adjustments to reconcile increase in net assets to cash flows from operating activities:		
Decrease (increase) in operating assets:		
Receivables	(1,166)	(84)
Increase (decrease) in operating liabilities:		
Payroll withholdings	(723)	1,119
<i>Cash Flows from Operating Activities</i>	<i>88,420</i>	<i>48,959</i>
<u>INVESTING ACTIVITIES</u>		
Major capital improvements	(55,921)	(213,223)
Purchase of certificate of deposit	(5,485)	-
<i>Cash Flows from Investing Activities</i>	<i>(61,406)</i>	<i>(213,223)</i>
<i>CHANGE IN CASH</i>	<i>27,014</i>	<i>(164,264)</i>
<i>CASH - BEGINNING</i>	<i>310,174</i>	<i>474,438</i>
<i>CASH - ENDING</i>	<i>\$ 337,188</i>	<i>\$ 310,174</i>

Providence Road Church of Christ, Charlotte, N.C., Inc.

Notes to Financial Statements

August 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Providence Road Church of Christ, Charlotte, N.C., Inc., (the Church) was organized in 1938. The Church was incorporated in 1955 under the laws of the state of North Carolina, is located at 4900 Providence Road, Charlotte, North Carolina, and is supported primarily by voluntary contributions from its members.

Scope

All funds over which the Church exercises discretionary control are included in these financial statements, except for Action for Community Transformation, Inc., a separate corporation. This report also does not include the activities of any choir or Church school accounts that would not be material to these financial statements.

Basis of accounting

These financial statements have been prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Pursuant to the cash basis of accounting, revenue and the related assets are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. In addition, all other amounts received are recorded as cash receipts and all other amounts expended are recorded as cash disbursements. The Church has elected to adopt the following modifications to the cash basis of accounting; in addition to the presentation of fixed assets:

- Sales tax which will be later refunded and certain amounts paid that are expected to be reimbursed are shown as increases and decreases in an asset account, rather than as receipts and disbursements.
- Purchases and sales of certificates of deposit are shown as increases and decreases in an asset account, rather than as receipts and disbursements. Certificates of deposit are carried on the books at cost.
- Land and buildings are shown at values assessed for local property taxes.

The significant differences between the basis of accounting employed by the Church and U.S. generally accepted accounting principles, in addition to the timing of the recognition of revenue and expenses, are as follows:

- The Church has elected to carry land and buildings on the financial statements based on appraised values.
- The purchase of equipment and furnishings is shown as an expense and no depreciation is recorded.
- No amounts have been reflected in the financial statements for services or property contributed to the Church.

Providence Road Church of Christ, Charlotte, N.C., Inc.

Notes to Financial Statements

August 31, 2020

Contributions

The net assets of the Church are classified and reported as follows:

- *Net assets without donor restrictions* - Net assets that are not subject to any donor-imposed stipulations. Designated net assets represent funds designated by the Church for specific purposes. However, these funds have not been restricted by donors and are available for any purpose at the Church's discretion. At August 31, 2020, the Church had designated \$175,676 of reserves.
- *Net assets with donor restrictions* - Net assets with donor restrictions consist of temporarily restricted net assets and permanently restricted net assets. Temporarily restricted net assets are those amounts that are subject to donor-imposed stipulations that may or will be met, either by actions of the Church or the passage of time. Permanently restricted net assets are those amounts subject to donor-imposed stipulations that they be maintained permanently by the Church. During the year, the Church had no permanently restricted net assets.

Federal income tax status

The Church is exempt from Federal income tax under Internal Revenue Code Section 501(c)(3) and is classified as other than a private foundation as defined by Section 509(a) of the Internal Revenue Code.

Use of estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Therefore, actual results could be different from those estimates.

Prior-year comparative totals

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with the Church's 2019 financial statements, from which the summarized information was derived. Also, certain amounts in the prior-year comparative totals have been reclassified to conform to the presentation in the current-year financial statements.

NOTE 2 – CASH AND CERTIFICATE OF DEPOSIT

Cash

Cash consists of cash on hand, cash in checking accounts, and money market funds.

Certificate of deposit

The Church's certificate of deposit is carried at cost, which approximates fair value. The certificate bears interest at an annual rate of 2.97% and matures in November 2020.

Providence Road Church of Christ, Charlotte, N.C., Inc.

Notes to Financial Statements

August 31, 2020

NOTE 3 – PROPERTY

Basis of accounting

Property balances are maintained in the unrestricted fund. The Church's fixed assets, which consist of approximately eight acres of land, buildings and improvements, are presented in the accompanying financial statements at the value assessed for local property taxes. Equipment purchases are expensed as incurred.

NOTE 4 – LEASES

Operating leases - equipment

The Church leases a copier under a non-cancelable operating agreement. Lease payments made during the year ended August 31, 2020, were \$12,315. Future minimum obligations under the terms of the leases are as follows:

2021	\$ 16,181
2022	19,181
2023	<u>12,136</u>
TOTAL	<u>\$ 47,498</u>

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of August 31, 2020 consist of the following:

Missions	\$ 344,833
Ministries	<u>10,442</u>
TOTAL	<u>\$ 355,275</u>

NOTE 6 - FUNCTIONAL EXPENSES

The Church's activities are focused in three functional areas. Program services represent the primary focus of the Church's activities. Supporting services are general and administrative activities and fundraising activities. Personnel costs are allocated on the basis of estimates of time and effort. Facility costs are allocated on an estimated square footage basis. Administrative costs are based on an analysis of the various expenses that comprise those costs. The costs of providing the various programs and other activities are summarized on a functional basis below.

Providence Road Church of Christ, Charlotte, N.C., Inc.

Notes to Financial Statements

August 31, 2020

	<u>TOTAL</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>
Personnel	\$ 876,682	\$ 752,509	\$ 99,338	\$ 24,835
Facilities	190,605	185,445	5,160	-
Family needs	50,237	50,237	-	-
Outreach	405,515	405,515	-	-
Administrative	136,848	96,151	40,276	421
TOTAL	\$ 1,659,887	\$ 1,489,857	\$ 144,774	\$ 25,256

NOTE 7 – RETIREMENT PLAN

The Church maintains the Providence Road Church of Christ 403(b) Plan (the Plan) for the benefit of its employees. Eligible employees may make pre-tax or Roth contributions up to limits established annually by the Internal Revenue Service. The Church does not contribute to the Plan but matches employee contributions based on years of service. The Church's matching contributions are immediately 100% vested. The maximum matching contribution ranges from 3% for employees with less than one year of service to 6% for employees with three or more years of service. Participating employees have discretionary control as to how their funds are invested. During the year ended August 31, 2020, a total of \$29,423 was paid in retirement benefits.

NOTE 8 – CONCENTRATIONS OF RISK AND UNCERTAINTIES

Covid-19

The COVID-19 pandemic has resulted in major changes in the local economy. At this point, the full impact of this pandemic on the Church is unknown, but management believes that it could negatively impact its support and revenue for the foreseeable future.

Small geographic area

The Church operates in a small geographic area and is therefore sensitive to changes in the local economy.

Uninsured cash

Cash held in bank accounts is insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Church occasionally has cash balances in excess of insured limits.

Providence Road Church of Christ, Charlotte, N.C., Inc.

Notes to Financial Statements

August 31, 2020

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Church has \$455,803 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$337,188, a certificate of deposit of \$105,485 and sales tax receivable of \$3,130, which is expected to be collected in the next fiscal year. Of this total, \$355,275 of the financial assets are subject to donor restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Church has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 30 days of normal operating expenses, which are, on average, approximately \$107,000. The Church has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10 – SUBSEQUENT EVENTS

The Church has evaluated subsequent events from the date of the statement of financial position through the date of the independent auditor's report, which is the date the financial statements are available to be issued. During this period, no material recognizable subsequent events were identified.