



AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018



Independent Auditors' Report

The Board of Trustees
Unity of Fairfax Church Of The Daily Word, Inc.
Oakton, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Unity of Fairfax Church Of The Daily Word, Inc., (UFFX) which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, functional expenses and cash flows 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 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.

Auditors' 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 from 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 auditors' 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 auditors consider internal control relevant to UFFX'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 UFFX'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.

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The Board of Trustee
Unity of Fairfax Church Of The Daily World, Inc.
Oakton, Virginia

Report on the Financial Statements (Continued)

Auditors' Responsibility (Continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Unity of Fairfax Church Of The Daily Word, Inc., Inc., as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Bethesda, Maryland
October 24, 2019

Certified Public Accountants

Unity of Fairfax Church Of The Daily Word, Inc.

**Statement of Financial Position
December 31, 2018**

Assets

Cash and Cash Equivalents	\$ 232,712
Investments	84,335
Accounts Receivable	5,508
Inventory	12,494
Prepaid Expenses	2,715
Property and Equipment - Net	<u>2,995,927</u>
Total Assets	<u>\$ 3,333,691</u>

Liabilities and Net Assets

Liabilities

Accounts Payable and Accrued Expenses	\$ 38,642
Accrued Tithes	13,651
Escrow Liabilities	47,500
Notes Payable	<u>1,541,110</u>
Total Liabilities	<u>1,640,903</u>

Net Assets

Without Donor Restrictions	1,680,342
With Donor Restrictions	<u>12,446</u>
Total Net Assets	<u>1,692,788</u>
Total Liabilities and Net Assets	<u>\$ 3,333,691</u>

See Accompanying Notes to Audited Financial Statements

Unity of Fairfax Church Of The Daily Word, Inc.

**Statement of Activities
For the Year Ended December 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues			
Offerings	\$ 651,408	\$ 63,675	\$ 715,083
Events	35,882	-	35,882
Rental Income	202,637	-	202,637
Bookstore	11,995	-	11,995
Investment Income (Loss) - Net	(2,583)	6	(2,577)
Other	316	-	316
Net Assets Released from Restrictions	<u>101,207</u>	<u>(101,207)</u>	<u>-</u>
Total Support and Revenues	<u>1,000,862</u>	<u>(37,526)</u>	<u>963,336</u>
Expenses			
Program Services	656,571	-	656,571
Supporting Services			
General and Administrative	175,483	-	175,483
Fundraising	<u>15,599</u>	<u>-</u>	<u>15,599</u>
Total Supporting Services	<u>191,082</u>	<u>-</u>	<u>191,082</u>
Total Expenses	<u>847,653</u>	<u>-</u>	<u>847,653</u>
Changes in Net Assets	153,209	(37,526)	115,683
Net Assets, Beginning of Period	<u>1,527,133</u>	<u>49,972</u>	<u>1,577,105</u>
Net Assets, End of Period	<u>\$ 1,680,342</u>	<u>\$ 12,446</u>	<u>\$ 1,692,788</u>

See Accompanying Notes to Audited Financial Statements

Unity of Fairfax Church Of The Daily Word, Inc.

**Statement of Functional Expenses
For the Year Ended December 31, 2018**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Benefits	\$ 277,715	\$ 96,646	\$ 7,640	\$ 382,001
Occupancy	42,482	14,784	1,168	58,434
Depreciation and Amortization	86,209	30,001	2,372	118,582
Travel	1,377	479	38	1,894
Professional Services	7,654	1,167	92	8,913
Ministries and Fellowship	55,753	-	1,097	56,850
Office	34,834	12,122	1,589	48,545
Tithes and Benevolence	92,259	-	-	92,259
Interest and Fees	46,897	16,320	1,290	64,507
Bank and Merchant Fees	4,764	1,658	131	6,553
Insurance	6,627	2,306	182	9,115
Total Expenses	<u>\$ 656,571</u>	<u>\$ 175,483</u>	<u>\$ 15,599</u>	<u>\$ 847,653</u>

See Accompanying Notes to Audited Financial Statements

Unity of Fairfax Church Of The Daily Word, Inc.

**Statement of Cash Flows
For the Year Ended December 31, 2018**

Cash Flows from Operating Activities

Change in Net Assets	\$ 115,683
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities	
Depreciation and Amortization	118,582
Net (Gains) Losses on Investments	2,796
<u>(Increase) Decrease in Assets</u>	
Accounts Receivable	(3,853)
Prepaid Expenses	(913)
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable and Accrued Expenses	20,499
Accrued Tithes	2,074
Escrow Liabilities	12,500
Net Cash Provided by (Used in) Operating Activities	<u>267,368</u>

Cash Flows from Investing Activities

Purchases of Property and Equipment	(101,519)
Sales and Maturities of Investments	444
Net Cash Provided By (Used) in Investing Activities	<u>(101,075)</u>

Cash Flows from Financing Activities

Principal Payments on Notes Payable	(123,742)
Net Cash Provided By (Used) in Financing Activities	<u>(123,742)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	42,551
Cash and Cash Equivalents, Beginning of Period	190,161
Cash and Cash Equivalents, End of Period	<u>\$ 232,712</u>

See Accompanying Notes to Audited Financial Statements

Supplementary Disclosure of Cash Flow Information

Unity of Fairfax Church Of The Daily Word, Inc.

Notes to Financial Statements December 31, 2018

1. ORGANIZATION AND PURPOSE

Unity of Fairfax Church Of The Daily Word, Inc.(UFFX) is a 501(c)(3) non-profit Church incorporated in 1970 under the laws of the Commonwealth of Virginia. UFFX is a vibrant spiritual community awakening each life to the Christ within. UFFX is an independent Church but is affiliated with Unity Worldwide Ministries which is the international affiliation of Unity ministries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

UFFX has adopted *Accounting Standards Update 2014-16, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* (ASU 2014-16) for the year ended December 31, 2018. This standard was issued by the Financial Accounting Standards Board (FASB) to improve the previous net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2014-16 reduces the number of net assets classifications from three to two: with donor restrictions and without donor restrictions. The ASU also requires not-for-profits to report expenses by functional and natural classification in one location in the financial statements and requires not-for-profits to report quantitative and qualitative information about management of liquidity resources and availability of financial assets.

As required by ASU 2014-16, UFFX applied the requirements on a retrospective basis in the year of adoption. As a result, certain amounts presented in the prior year have been reclassified to conform to the new presentation. All amounts previously reported as "Unrestricted net assets" have been reclassified to be presented as "Net assets without donor restrictions." Similarly, all amounts previously reported as "Temporarily restricted net assets" and "Permanently restricted net assets" have been reclassified to be presented as "Net assets with donor restrictions." The changes in net assets have been similarly reclassified. There was no change in total net assets or total change in net assets as a result of the adoption of ASU 2014-16.

The financial statements of UFFX have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which requires UFFX to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of UFFX. These net assets may be used at the discretion of management and the Board of Trustees.

Unity of Fairfax Church Of The Daily Word, Inc.

Notes to Financial Statements December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of UFFX or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Once restricted funds are used for the purpose specified by the donor, the restriction is considered to be released and the funds spent are reclassified as net assets without donor restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Accordingly, actual results could differ from those estimates.

Cash Equivalents

UFFX considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Investments and Fair Value Measurements

Investments are recorded at their readily determinable fair value. Unrealized and realized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

UFFX adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. UFFX accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Accounts Receivable

Accounts receivable are recorded at their net realizable value and approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Unity of Fairfax Church Of The Daily Word, Inc.

Notes to Financial Statements December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment purchases greater than \$1,000 are capitalized at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five to forty years. The cost of maintenance and repairs is recorded as expenses are incurred.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), 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.

Revenue Recognition

Revenue is recognized when earned.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, occupancy and office expenses, depreciation, information technology costs, and insurance have been allocated among the programs and supporting services benefits allocated on the basis of employee time and effort.

Income Tax Status

UFFX is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code.

UFFX follows the Financial Accounting Standards Board Accounting Standards Codification, which provides guidance on accounting for uncertainty in income taxes recognized in UFFX's financial statements, if any. As of December 31, 2018, UFFX had no unrecognized tax benefits related to uncertain tax positions in its information return that would qualify for either recognition or disclosure in its financial statements.

UFFX's policy would be to recognize interest and penalties on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. Through December 31, 2018, there have been no matters that would have resulted in an accrual for interest and/or penalties.

UFFX is exempt from the IRS' annual Form 990 filing requirement because of its status as a Church. UFFX files a 990T and VA 500. Generally, the tax years before 2015 are no longer subject to examination by federal, state, or local taxing authorities.

Unity of Fairfax Church Of The Daily Word, Inc.

Notes to Financial Statements December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Upcoming Accounting Pronouncements

In May 2014, the FASB issued a new standard, ASU 2014-09, Revenue from Contracts with Customers, which outlines a single comprehensive standard for revenue recognition across all industries and supersedes most existing revenue recognition guidance. The core principle of the standard is that an entity should recognize revenue when it satisfies a performance obligation at an amount that reflects the consideration the entity expects to receive in exchange for transferring goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard will be effective for the fiscal year beginning January 1, 2019.

In February 2016, the FASB issued ASU 2016-02, Lease Amendments to the FASB Accounting Standards Codification (Topic 842), which amends the recognition of lease assets by organizations. The new standards require a lessee to recognize assets and liabilities for leases with lease terms of 12 or more months, in addition to modifications improvements on lessor accounting, in conjunction with the new guidance on revenue recognition noted above in ASU-2014-09. Additional disclosures will be required for the amount, timing, and uncertainty of cash flows arising from leases, and the standard will be effective for fiscal years beginning January 1, 2021.

Subsequent Events

Management has evaluated subsequent events through October 24, 2019 the date which the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements.

3. CONCENTRATION OF CREDIT RISK

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. As of December 31, 2018, bank balances did not exceed the FDIC limit.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

UFFX has categorized its financial instruments based on a three-level fair value hierarchy as follows:

Level 1 – Values are based on quoted prices for identical assets in active markets.

Level 2 – Values are based on quoted prices for similar assets in active or inactive markets.

Level 3 – Value are based on unobservable inputs to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date.

Unity of Fairfax Church Of The Daily Word, Inc.

Notes to Financial Statements December 31, 2018

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

As of December 31, 2018, these investments and their fair value measurements were:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>
Mutual Funds - Equity	\$ 64,434	\$ 64,434
Mutual Funds - Fixed Income	19,901	19,901
Total	<u>\$ 84,335</u>	<u>\$ 84,335</u>

Investment income consisted of the following for the year ended December 31, 2018:

Dividends and Interest	\$ 219
Net Unrealized Gains (Losses)	<u>(2,796)</u>
Total	<u>\$ (2,577)</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2018:

Land	\$ 419,328
Building and Improvements	4,163,362
Furniture and Equipment	198,433
Loan Fees	15,671
Total	<u>4,796,794</u>
Less Accumulated Depreciation and Amortization	<u>(1,800,867)</u>
Furniture and Equipment, Net	<u>\$ 2,995,927</u>

Depreciation and amortization expense was \$118,582 for the year ended December 31, 2018.

6. NOTES PAYABLE

At December 31, 2018, notes payable consist of the following:

Mortgage - Note payable, bank, secured by the property of UFFX, interest due monthly at 3.95%; originally principal and interest due in 180 installments of \$17,300 commencing September 2015. Currently, principal and interest due in installments of \$13,773 until termination in August 2030.	<u>\$ 1,515,303</u>
Energy Loan - Note payable, bank, secured by the assets of UFFX, interest due monthly at 3.50%; principal and interest due in 60 installments of \$872.96 commencing August 2016 through June 2021.	<u>25,807</u>
Subtotal	1,541,110
Less: Current Portion	<u>(115,913)</u>
Note Payable, Long-Term Portion	<u>\$ 1,425,197</u>

Interest expense incurred during the year ended December 31, 2018 was \$64,507.

Unity of Fairfax Church Of The Daily Word, Inc.

Notes to Financial Statements December 31, 2018

7. NET ASSETS

Net assets with donor restrictions for the year ended December 31, 2018 was as follows:

Purpose:	<u>2017</u>	<u>Contributions and Investment Income</u>	<u>Releases (Transfers)</u>	<u>2018</u>
Benevolence Fund	\$ 3,820	\$ 2,250	\$ 3,530	\$ 2,540
Capital Improvements	-	8,650	-	8,650
Green Project	3,966	206	4,172	-
Labyrinth	42,186	47,147	89,333	-
Sacred Grounds	-	5,428	4,172	9,600
Total	\$ 49,972	\$ 63,681	\$ 101,207	\$ 20,790

Net assets without donor restrictions for the year ended December 31, 2018 were designated as follows:

	<u>2017</u>	<u>Designations and Investment Income</u>	<u>Appropriations</u>	<u>2018</u>
Capital Reserve	\$ 26,162	\$ 42,324	\$ -	\$ 68,486
Operating Reserve	4,989	1,173	-	6,162
Benevolence Fund	11,385	1,953	-	13,338
Capital Improvements	11,319	13,545	12,876	11,988
Mildred Park Endowment Fund	87,575	(3,240)	-	84,335
Total	\$ 141,430	\$ 55,755	\$ 12,876	\$ 184,309

The Mildred Park Endowment Fund was created by the Board of Trustees to receive estate and other funds. These funds will be grown and preserved until the corpus reaches \$1,000,000. Once the fund reaches \$1,000,000 and if there is positive investment income, a 5% pay out will offset UFFX's operating budget.

Unity of Fairfax Church Of The Daily Word, Inc.

Notes to Financial Statements December 31, 2018

8. LEASE COMMITMENTS

During 2018, UFFX amended its lease with an unrelated entity to extend the previous termination date to July 2020. The amended agreement has base monthly rental income of \$16,730. This lease is for the lower building and a portion of the upper building.

During 2018, UFFX also executed a ten-year lease with an unrelated entity that commences July 2020. The agreement includes base monthly rental income of \$10,750 which escalates 3% per annum. This lease is for the lower building.

As of December 31, 2018, the future minimum rental payments to be received is as follows:

2019	\$ 204,943
2020	187,466
2021	132,870
2022	136,856
2023	140,962
Thereafter	<u>1,112,518</u>
Total	<u>\$ 1,915,614</u>

9. RELATED PARTY

UFFX is affiliated with Unity Worldwide Ministries (UWM) which is the international affiliation of Unity ministries.

During the year ended December 31, 2018, UFFX tithed \$87,825 to UWM and affiliated organizations. At December 31, 2018, UFFX owed UWM \$7,107 of account payable and \$13,651 of accrued tithes. There is no receivable from UWM as of December 31, 2018.

Unity of Fairfax Church Of The Daily Word, Inc.

**Notes to Financial Statements
December 31, 2018**

10. LIQUIDITY AND AVAILABILITY

The following represents UFFX's financial assets at December 31, 2018:

Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 232,712
Investments	84,335
Accounts Receivable	5,508
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Total Financial Assets	322,555
Less: Restricted Amounts Not Available To Be Used Within One Year:	
Net Assets With Donor Restrictions	20,790
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year	(20,790)
Board-Designated Funds	184,309
	<hr/>
	184,309
	<hr/>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 138,246</u>

As part of UFFX's liquidity management plan, cash in excess of daily requirements is transferred to income-generating accounts, when practical.