



Consolidated Financial Statements

at

December 31, 2020 and 2019



## INDEPENDENT AUDITORS' REPORT

To the Senior Pastor, Board of Trustees, and Finance Committee  
Ebenezer Baptist Church  
Atlanta, Georgia

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Ebenezer Baptist Church (the "Church") which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements. The consolidated financial statements of the Church as of and for the year ended December 31, 2019, were audited by other auditors whose report, dated March 29, 2020, expressed an unmodified opinion on those statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Church as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

March 26, 2021

**EBENEZER BAPTIST CHURCH**  
Consolidated Statements of Financial Position  
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 704,887	\$ 158,429
Accounts Receivable	21,527	102,191
Investments	499,821	527,439
Property and Equipment, Net	<u>12,068,772</u>	<u>12,628,215</u>
Total Assets	<u>13,295,007</u>	<u>13,416,274</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts Payable	\$ 25,445	\$ 172,285
Capital Lease Obligation	297,241	368,229
Mortgages Payable	7,475,943	7,567,430
Deferred Revenue	<u>406,801</u>	<u>421,835</u>
Total Liabilities	8,205,430	8,529,779
Net Assets:		
Without Donor Restrictions:		
Undesignated	4,932,864	4,749,685
Designated	<u>58,156</u>	<u>55,407</u>
Total Net Assets Without Donor Restrictions	4,991,020	4,805,092
With Donor Restrictions	<u>98,557</u>	<u>81,403</u>
Total Net Assets	<u>5,089,577</u>	<u>4,886,495</u>
Total Liabilities and Net Assets	<u>\$13,295,007</u>	<u>\$13,416,274</u>

See Accompanying Notes

**EBENEZER BAPTIST CHURCH**  
Consolidated Statements of Activities  
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Net Assets Without Donor Restrictions:</b>		
Support and Revenue:		
General Undesignated Offerings	\$ 3,526,765	\$ 3,740,609
Rental Income	377,993	453,997
Grant from Federal Government	180,800	-
Realized and Unrealized Gains (Losses) on Investments	<u>(27,618)</u>	<u>59,144</u>
Total Support and Revenue without Donor Restrictions	4,057,940	4,253,750
Net Assets Released from Restrictions	<u>23,386</u>	<u>75,090</u>
Total Support, Revenue and Reclassifications	4,081,326	4,328,840
Expenses:		
Program Expenses	2,878,860	3,270,553
Management and General	<u>1,016,538</u>	<u>1,053,665</u>
Total Expenses	<u>3,895,398</u>	<u>4,324,218</u>
Increase in Net Assets Without Donor Restrictions	185,928	4,622
<b>Net Assets With Donor Restrictions:</b>		
Contributions	40,540	78,082
Net Assets Released from Restrictions	<u>(23,386)</u>	<u>(75,090)</u>
Increase in Net Assets With Donor Restrictions	<u>17,154</u>	<u>2,992</u>
Increase in Net Assets	203,082	7,614
Net Assets, Beginning of Year, Before Restatement	4,886,495	4,969,722
Prior Period Adjustment	<u>-</u>	<u>(90,841)</u>
Net Assets, Beginning of Year, After Restatement	<u>4,886,495</u>	<u>4,878,881</u>
Net Assets, End of Year	<u>\$ 5,089,577</u>	<u>\$ 4,886,495</u>

See Accompanying Notes

**EBENEZER BAPTIST CHURCH**  
Consolidated Statement of Functional Expenses  
For the Year Ended December 31, 2020

	Program Services		Total	Support Services		Total
	Pastoral Services	Local Ministries	Program Services	Management and General		
Salaries, Wages and Benefits:						
Ministerial Staff	\$ 200,000	\$ 268,460	\$ 468,460	\$ -	\$ 468,460	
Lay Staff	61,800	115,049	176,849	302,546	479,395	
Employee Benefits	<u>89,092</u>	<u>56,077</u>	<u>145,169</u>	<u>111,464</u>	<u>256,633</u>	
Total Salaries, Wages and Benefits	350,892	439,586	790,478	414,010	1,204,488	
Worship, Art and Teaching Ministries						
Consultants and Contractors	-	631,484	631,484	-	631,484	
Interest	-	5,600	5,600	239,298	244,898	
Utilities and Telephone	16,495	296,456	312,951	81,113	394,064	
Travel and Visitations	12,055	217,735	229,790	88,043	317,833	
Repairs and Maintenance	15,538	-	15,538	-	15,538	
Contributions and Benevolence	4,662	83,787	88,449	20,990	109,439	
Supplies	-	28,044	28,044	-	28,044	
Facility and Equipment Rent	1,176	21,139	22,315	5,297	27,612	
Insurance	3,368	60,536	63,904	15,165	79,069	
Technology and Other Costs	-	47,195	47,195	-	47,195	
Depreciation Expense	10,066	180,904	190,970	45,321	236,291	
	<u>23,832</u>	<u>428,310</u>	<u>452,142</u>	<u>107,301</u>	<u>559,443</u>	
	\$ 438,084	\$ 2,440,776	\$ 2,878,860	\$ 1,016,538	\$ 3,895,398	

See Accompanying Notes

**EBENEZER BAPTIST CHURCH**  
Consolidated Statement of Functional Expenses  
For the Year Ended December 31, 2019

	Program Services		Total	Support Services	
	Pastoral Support	Local Ministries	Program Services	Management and General	Total
Salaries, Wages and Benefits:					
Ministerial Staff	\$ 200,837	\$ 148,477	\$ 349,314	\$ -	\$ 349,314
Lay Staff	61,500	140,124	201,624	235,169	436,793
Employee Benefits	<u>96,455</u>	<u>47,511</u>	<u>143,966</u>	<u>68,512</u>	<u>212,478</u>
Total Salaries, Wages and Benefits	358,792	336,112	694,904	303,681	998,585
Worship, Art and Teaching Ministries					
Consultants and Contractors	-	865,928	865,928	-	865,928
Interest	-	24,823	24,823	382,719	407,542
Utilities and Telephone	17,265	310,286	327,551	77,733	405,284
Travel and Visitations	14,938	268,478	283,416	67,260	350,676
Repairs and Maintenance	33,197	-	33,197	-	33,197
Contributions and Benevolence	9,167	164,749	173,916	41,273	215,189
Supplies	-	48,885	48,885	-	48,885
Facility and Equipment Rent	1,358	24,401	25,759	6,113	31,872
Insurance	3,046	54,734	57,780	13,712	71,492
Technology and Other Costs	-	55,139	55,139	-	55,139
Depreciation Expense	12,190	219,518	231,708	54,964	286,672
	<u>23,590</u>	<u>423,957</u>	<u>447,547</u>	<u>106,210</u>	<u>553,757</u>
	\$ <u>473,543</u>	\$ <u>2,797,010</u>	\$ <u>3,270,553</u>	\$ <u>1,053,665</u>	\$ <u>4,324,218</u>

See Accompanying Notes

**EBENEZER BAPTIST CHURCH**  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities:</b>		
Increase in Net Assets	\$ 203,082	\$ 7,614
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Net Unrealized (Gain) Loss on Investments	43,605	(59,144)
Depreciation Expense	559,443	553,757
Recognition of Deferred Revenue	(15,034)	(15,380)
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	80,664	(442)
Increase (Decrease) in Accounts Payable	<u>(146,840)</u>	<u>114,479</u>
Net Cash Provided by Operating Activities	724,920	600,884
<b>Cash Flows from Investing Activities:</b>		
Purchases of Investments	(15,987)	-
Net Proceeds from Sales of Investments	-	7,012
Disbursements for Building Improvements	<u>-</u>	<u>(163,250)</u>
Net Cash Used in Investing Activities	<u>(15,987)</u>	<u>(156,238)</u>
<b>Cash Flows from Financing Activities:</b>		
Principal Payments on Capital Lease Obligation	(70,988)	(81,999)
Principal Payments on Mortgages Payable	<u>(91,487)</u>	<u>(243,892)</u>
Net Cash Used in Financing Activities	<u>(162,475)</u>	<u>(325,891)</u>
Net Increase in Cash and Cash Equivalents	546,458	118,755
Cash and Cash Equivalents at Beginning of Year	<u>158,429</u>	<u>39,674</u>
Cash and Cash Equivalents at End of Year	<u>\$ 704,887</u>	<u>\$ 158,429</u>
<b>Supplemental Information:</b>		
Interest Expense - Paid	<u>\$ 242,383</u>	<u>\$ 402,769</u>

See Accompanying Notes

**EBENEZER BAPTIST CHURCH**  
Notes to the Consolidated Statements  
December 31, 2020 and 2019

**Note 1 - Organization and Summary of Significant Accounting Policies**

*Nature of Business*

Ebenezer Baptist Church, Inc. (the "Church") is an urban-based, global ministry dedicated to individual growth and social transformation through living in the message and carrying out the mission of Jesus Christ. Founded in 1886, the Church is organized exclusively for charitable, religious and educational purposes. The Church is supported primarily through contributions from the congregation.

On February 22, 1995, the Church established the Ebenezer Building Foundation (the "Foundation"), a separate 501(c)(3) nonprofit corporation, to raise funds for the construction and maintenance of facilities of the Church and to support the ministries of the Church. The Board of Directors of the Foundation is composed of five persons who are also officers or employees of the Church.

*Basis of Consolidation*

The consolidated financial statements include the accounts of the Church and its affiliate, the Foundation. All significant intercompany balances and transactions have been eliminated in consolidation. Except as otherwise noted, the consolidated entity is referred to as the Church.

*Basis of Accounting*

The Church follows accounting standards set by the Financial Accounting Standard Board ("FASB").

*Basis of Presentation*

The Church reports information regarding its financial position and activities according to the following classes of net assets:

*Net Assets Without Donor Restrictions* - Net assets that are available for use in general operations and not subject to donor restrictions. The Church Board has designated from net assets without donor restrictions, net assets for a scholarship fund.

*Net Assets With Donor Restrictions* - Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when a stipulated time restriction has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities as net assets released from restrictions. The Church's net assets with donor restrictions are described in Note 10.



**EBENEZER BAPTIST CHURCH**  
Notes to the Consolidated Statements  
December 31, 2020 and 2019

**Note 1 - Organization and Summary of Significant Accounting Policies - continued**

*Contributions*

The Church recognizes contributions when cash, securities, other assets or an unconditional promise to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right to return, are not recognized until the conditions on which they depend have been met. If release of the restriction occurs at the same time as meeting conditional grants, the Church records the contribution as without donor restrictions.

In April 2020, the Church obtained a Small Business Administration loan under the Paycheck Protection Program (the "PPP") totaling \$180,800. The Church received forgiveness of the PPP loan proceeds in March 2021. The loan is treated as a conditional grant under ASU 2018-08, in which revenue is recorded when qualifying expenses have been incurred. At December 31, 2020, the Church had utilized the entire PPP funding on qualifying expenses and the full amount is recorded as a contribution in the Consolidated Statements of Activities.

*Estimates*

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities in the financial statements. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses. Accordingly, actual results may differ from those estimates and those differences could be material.

*Tax Status*

The Church is a not-for-profit organization exempt from income taxes under the Internal Revenue Code Section 501(c)(3). Therefore, no provision for income taxes has been made.

Accounting principles accepted in the United States of America require management to evaluate tax positions taken by the Church and recognize a tax liability (or asset) if the Church has taken an uncertain position that will more than likely than not be sustained upon examination by taxing authorities. Management believes it has appropriate support for any tax positions taken and as such, does not have any uncertain tax positions material to the financial statements.

The Church is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. In general, the Church is no longer subject to tax examinations for tax years ended before December 31, 2017.

**EBENEZER BAPTIST CHURCH**  
Notes to the Consolidated Statements  
December 31, 2020 and 2019

**Note 1 - Organization and Summary of Significant Accounting Policies - continued**

*Cash and Cash Equivalents*

Cash and cash equivalents represent funds without legal restrictions on hand or on deposit with financial institutions available in thirty days.

*Investments*

The Church invests in mutual funds and equity securities. Refer to Note 4 for the fair value of the investments and their measurement levels.

*Accounts Receivable*

Accounts receivable is stated at fair value, less any allowance for doubtful accounts. Management estimated the allowances for doubtful accounts based on existing economic conditions, the financial conditions of the organization, and the amount and age of the receivables. Bad debts are expensed and charged against the allowance account when deemed uncollectible based upon a periodic review of collections. An allowance for doubtful accounts of \$5,750 was deemed necessary at December 31, 2020.

*Property and Equipment*

Acquisitions of property and equipment or betterments that materially prolong the useful lives of assets in excess of \$1,000 are capitalized.

Except for the original Church building and land, property and equipment are recorded at cost. The original Church building and the related parcels of land are recorded at appraised value.

Depreciation is computed using the straight-line method over the over the estimated useful life of the property and equipment and is calculated the first full year the asset is placed in service. The estimated useful lives are as follows:

Buildings and Improvements	20 - 40 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	5 years

**EBENEZER BAPTIST CHURCH**  
Notes to the Consolidated Statements  
December 31, 2020 and 2019

**Note 1 - Organization and Summary of Significant Accounting Policies - continued**

*Donated Assets*

The value of capital improvements to the Church's original sanctuary paid for by the National Park Service is capitalized as property and equipment in the Consolidated Statements of Financial Position.

Donated marketable securities, land and other noncash donations are recorded as contributions at their estimated fair value at the date of donation.

A substantial number of unpaid volunteers have made significant contributions of their time and talent in carrying out the Church's programs and services. The value of these contributions is not reflected in the consolidated financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

*Compensated Absences*

Unused employee leave expires at the end of each year and is not paid if employment is terminated for any reason.

*Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying Consolidated Statements of Activities. The Consolidated Statements of Functional Expenses present the functional basis of expenses by natural classification. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated based on building square footage include utilities, repairs, depreciation, interest and other general costs.

*Reclassifications and Restatements*

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements. The restatement includes the elimination of intercompany transactions in the consolidated financial statements and the recording of a capital lease obligation.

**EBENEZER BAPTIST CHURCH**  
Notes to the Consolidated Statements  
December 31, 2020 and 2019

**Note 1 - Organization and Summary of Significant Accounting Policies - continued**

*Accounting Pronouncements Issued but Not Yet Adopted*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) which supersedes nearly all existing revenue recognition guidance under accounting principles generally accepted in the United States of America. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing accounting principles generally accepted in the United States of America.

The standard is effective for fiscal years beginning after December 15, 2020. The Church is currently evaluating the impact of this standard on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities.

The standard is effective for fiscal years beginning after December 15, 2021. The Church is currently evaluating the impact of this new standard on its consolidated financial statements.

**Note 2 - Liquidity and Availability of Resources**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Consolidated Statement of Financial Position date, are as follows:

Cash and Cash Equivalents	\$ 704,887
Less: Amount Designated by Board	<u>58,156</u>
Net Cash and Cash Equivalents	646,731
Accounts Receivable	21,527
Investments	<u>499,821</u>
	<u>\$ 1,168,079</u>

Funds designated by the Board, in the amount of \$58,156, for scholarships are available for general expenditures, if necessary. The Church does not intend to spend from the board-designated funds.

**EBENEZER BAPTIST CHURCH**  
Notes to the Consolidated Statements  
December 31, 2020 and 2019

**Note 3 – Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits**

The Church maintains its cash balances at one primary financial institution. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000. At December 31, 2020, the Church had \$341,338 of uninsured cash balances. Management believes that cash is maintained at a financial institution with a high credit rating that, accordingly, carries an acceptably low risk of potential loss.

**Note 4 – Investments and Fair Value Measurements**

The framework for measuring fair value provides a 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) and the lowest priority to unobservable inputs (Level 3). The three levels of fair value hierarchy are described as follows:

*Level 1* - Unadjusted quoted prices in active markets for identical assets or liabilities that the Church can access at the measurement date.

*Level 2* - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

*Level 3* - Unobservable inputs for the asset or liability. In these situations, the Church would develop inputs using the best information available in the circumstances.

The Church's investment valuations are based on quoted market prices in active markets, and accordingly, classified as Level 1. The valuation methodologies used for assets measured at fair value did not change during the years ended December 31, 2020 and 2019.

The fair value of assets, measured on a recurring basis at December 31, 2020 are as follows:

Balances at December 31, 2020:

	<u>Fair Value</u>	<u>Level 1</u>
Financial Assets:		
Investments - Marketable Securities:		
Equity Securities	\$ 398,060	\$ 398,060
Mutual Funds	<u>101,761</u>	<u>101,761</u>
Total Financial Assets	<u>\$ 499,821</u>	<u>\$ 499,821</u>

**EBENEZER BAPTIST CHURCH**  
Notes to the Consolidated Statements  
December 31, 2020 and 2019

**Note 4 – Investments and Fair Value Measurements - continued**

The fair value of assets, measured on a recurring basis at December 31, 2019, are as follows:

Balances at December 31, 2019:

	<u>Fair Value</u>	<u>Level 1</u>
Financial Assets:		
Investments: - Marketable Securities		
Equity Securities	\$ 428,946	\$ 428,946
Mutual Funds	<u>98,493</u>	<u>98,493</u>
Total Financial Assets	<u>\$ 527,439</u>	<u>\$ 527,439</u>

**Note 5 – Property and Equipment**

A summary of the Church's property and equipment is presented below:

	<u>2020</u>	<u>2019</u>
Land and Land Improvements	\$ 660,435	\$ 660,435
Buildings and Fixtures	19,903,749	19,903,749
Property Development	822,789	822,789
Furniture and Equipment	2,731,181	2,731,181
Musical Equipment	621,936	621,936
Vehicles	<u>210,828</u>	<u>210,828</u>
	24,950,918	24,950,918
Less Accumulated Depreciation	<u>(12,882,146)</u>	<u>(12,322,703)</u>
	<u>\$ 12,068,772</u>	<u>\$ 12,628,215</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$559,443 and \$553,757, respectively.

**EBENEZER BAPTIST CHURCH**  
Notes to the Consolidated Statements  
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**Note 6 - Capital Lease Obligation**

In 2018, the Church leased audio visual equipment, valued at \$450,000, under a capital lease. The Church is financing the acquisition of the assets through the lease, and, accordingly, the equipment and the lease payable are recorded in the Church's financial statements as assets and liabilities. The lease agreement contains a bargain purchase option at the end of the lease term.

Future minimum payments required under the lease in each of the next four years reduced to their present value are as follows:

<u>Year Ending December 31:</u>	
2021	\$ 101,287
2022	101,287
2023	101,287
2024	<u>16,881</u>
	320,742
Less: Amount representing Interest	<u>23,501</u>
Present Value of Minimum Lease Payments	\$ <u>297,241</u>

Amortization of assets held under capital leases is included with depreciation expense.

**EBENEZER BAPTIST CHURCH**  
Notes to the Consolidated Statements  
December 31, 2020 and 2019

**Note 7 - Mortgages Payable**

*Mortgages Payable*

A summary of the mortgages payable as of December 31, 2020 and 2019 follows:

	<u>2020</u>	<u>2019</u>
\$5,122,784, refinanced on September 26, 2017, mortgage payable to bank bearing interest at 4.25% at December 31, 2020, due in 59 monthly installments of principal and interest, commencing on November 9, 2017, with a balloon payment of all remaining principal and interest due September 26, 2027, secured by Deed of Trust on land and buildings, Deed of Secure Debt, assignment of rents and leases, Security Agreement and other loan documents.	\$ 4,728,331	\$ 4,788,672
\$2,993,320 refinanced on September 26, 2017, mortgage payable to bank bearing interest at 4.25% at December 31, 2020, due in 59 monthly installments of principal and interest, commencing on November 9, 2017, with a balloon payment of all remaining principal and interest due September 26, 2027, secured by Deed of Trust on land and buildings, Deed of Secure Debt, Assignment of rents and leases, Security Agreement and other loan documents.	<u>2,764,592</u>	<u>2,798,253</u>
	7,492,923	7,586,925
Less: Debt Issuance Costs	<u>(16,980)</u>	<u>(19,495)</u>
	<u>\$ 7,475,943</u>	<u>\$ 7,567,430</u>

During April 2020, the mortgagee agreed to extend monthly principal and interest payments of \$53,157 for a three-month period from April 2020 through June 2020. The monthly payments of \$53,157 resumed beginning July 2020.

Interest expense on the related mortgage indebtedness for the years ended December 31, 2020 and 2019 was \$375,039 and \$391,482, respectively. Amortization of the deferred debt issuance costs was \$2,515 for both years and reported as a component of interest expense on the Consolidated Statements of Functional Expenses.



**EBENEZER BAPTIST CHURCH**  
Notes to the Consolidated Statements  
December 31, 2020 and 2019

**Note 7 - Mortgages Payable - continued**

The future scheduled maturities of mortgages payable are as follows:

Year Ending December 31,	Mortgages Payable	Deferred Debt Issuance Costs	Mortgages Payable, Net
2021	\$ 263,953	\$ 2,515	\$ 261,438
2022	275,553	2,515	273,038
2023	287,665	2,515	285,150
2024	299,502	2,515	296,987
2025	313,472	2,515	310,957
Thereafter	<u>6,052,778</u>	<u>4,405</u>	<u>6,048,373</u>
	<u>\$ 7,492,923</u>	<u>\$ 16,980</u>	<u>\$ 7,475,943</u>

**Note 8 - Deferred Revenue**

On April 26, 1996, the Church and the United States Department of the Interior - National Park Service (the "NPS") entered into an agreement to exchange properties. The Church agreed to convey to the NPS a long-term lease of fifty (50) years with a 49-year option to renew at the sole discretion of the NPS, for the sole use and occupancy of the historic Heritage Sanctuary Building. In exchange for the aforementioned lease, the NPS conveyed in fee simple, by quit claim deed, the adjacent parking lot property, the land on which the Horizon Sanctuary is built and \$319,000 in cash. The lease began in 1999 with the completion of the new Horizon Sanctuary for the Church.

The cash received from the NPS, along with related land, are in consideration of the 50-year lease commitment for the NPS' use of the historic Sanctuary. Accordingly, the \$319,000 and the value of the land (\$400,000) have been reported in the financial statements as deferred revenue and will be recognized as lease revenue over the initial 50-year term of the lease.

The revenue recognized under the rental agreement for both 2020 and 2019 was \$14,380 and is included in Rental Income in the Consolidated Statement of Activities.

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**Note 9 - Net Assets Without Donor Restrictions - Board Designated Fund**

The Church's Board of Directors has designated from net assets without donor restrictions for the following purpose as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Scholarships	\$ <u>58,156</u>	\$ <u>55,407</u>

**Note 10 – Net Assets With Donor Restrictions**

Net assets with donor restrictions, subject to the passage of time or expenditure for a specific purpose, are available for the following purposes at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Auxiliary Programs	\$ 97,394	\$ 80,240
Building Campaign	<u>1,163</u>	<u>1,163</u>
	\$ <u>98,557</u>	\$ <u>81,403</u>

**Note 11 - Lease Commitments**

During December 2019, the Church entered into several non-cancelable operating leases for reproduction equipment. The leases have a five year term and rent payments started in January 2020, based on conditions stipulated in the lease agreement. The future minimum lease payments under non-cancelable operating leases as of December 31, 2020 are as follows:

<u>Year Ended</u> <u>December 31,</u>	
2021	\$ 29,010
2022	29,010
2023	29,010
2024	<u>29,010</u>
	\$ <u>116,040</u>

During the years ended December 31, 2020 and 2019, the Church paid \$31,069 and \$25,120, respectively, in rent expense and maintenance cost under lease agreements.

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**Note 12 - Commitments and Contingencies**

*Office and Gift Shop Lessors' Commitments*

The Church rents a portion of office space and its gift shop to other organizations. As of December 31, 2020, minimum future rentals to be received under non-cancelable leases with these organizations for each year are as follows.

<u>Year Ending December 31,</u>	
2021	\$ 107,652
2022	110,390
2023	59,902
2024	<u>59,902</u>
	<u>\$ 337,846</u>

*Operating Contingencies*

The Church depends heavily on membership tithes, offerings and contributions for its revenue. The ability of Church members and contributors to continue giving amounts comparable with current levels may be dependent with current and future overall economic conditions and the continued deductibility for income tax purposes of membership tithes, offerings and contributions to the Church. While management believes the Church has the resources to continue its services, its ability to do so and the extent to which it continues may be dependent on these factors.

**Note 13 - Related Party Transactions**

The Martin Luther King, Sr. Community Resources Collaborative (the "Collaborative") has four board members that are either board members or employees of the Church. During 2020, the Church provided \$55,500 in support to the Collaborative through the forgiveness of an advance receivable.

**Note 14 - Retirement Plan**

The Church makes contributions to the pastors' and three employees' individual retirement plans based on a fixed monthly amount with no match required from the individuals. The retirement plan expense for the years ended December 31, 2020 and 2019 was \$75,413 and \$47,006, respectively.

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**Note 15 - Church Operations Related to Pandemic**

In March 2020, the World Health Organization declared the outbreak of a Novel Coronavirus (COVID-19) as a pandemic resulting in federal, state and local government mandates related to travel restrictions, public gatherings and stay at home orders. As a result, the Church has experienced a disruption of normal operations. While this disruption is expected to be temporary, there is continued uncertainty around its duration. The related financial impact cannot be determined through the date of this report. It is reasonably possible that changes in risks in the near term could occur and result in a material change to the consolidated financial statements.

**Note 16 - Subsequent Events**

Management has evaluated subsequent events through March 26, 2021, the date on which the financial statements were available to be issued, and identified no events requiring recording or disclosure in the financial statements for the year ended December 31, 2020.

**Note 17 - Prior Period Adjustment**

During 2018, the Church entered into a capital lease obligation agreement to purchase audio visual equipment. The recording of the capital lease obligation resulted in an overstatement of debt issuance costs and an understatement of the lease obligation. The two factors resulted in the overstatement of net assets at December 31, 2018 by \$90,841. To correct the accounting error, net assets were restated at December 31, 2018 as follows:

Capital Lease Obligation - Liability Increase	\$ 46,632
Debt Issuance Cost - Asset Decrease	<u>44,209</u>
Net Asset Adjustment - Net Asset Decrease	<u>\$ 90,841</u>