

Canterbury United Methodist Church
Birmingham, Alabama

Financial Report

December 31, 2023

Including Report of
Independent Auditors

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INDEPENDENT AUDITORS' REPORT

To the Church Council
Canterbury United Methodist Church
Birmingham, AL

Opinion

We have audited the accompanying financial statements of Canterbury United Methodist Church (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2023, and the related statements of revenue, expenses and changes in net assets – modified cash basis, and functional expenses – modified cash basis for the year 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 assets, liabilities, and net assets of Canterbury United Methodist Church as of December 31, 2023, and its support, revenue, and expenses for the year then ended, in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinion

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

Basis of Accounting

We draw attention to Note 1 to 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 this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting as described in Note 1; and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the 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 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 auditor's 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 Canterbury United Methodist 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 Canterbury United Methodist 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.

Report on Summarized Comparative Information

We have previously audited Canterbury United Methodist Church's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 31, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dent Moses LLP

Birmingham, Alabama

May 10, 2024

CANTERBURY UNITED METHODIST CHURCH
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2023 WITH COMPARATIVE TOTALS FOR 2022
(Presented in Thousands)

	<u>Operating</u>			<u>Designated</u>	<u>Foundation</u>	<u>2023</u>	<u>2022</u>
	<u>General</u>	<u>CDC</u>	<u>Day School</u>			<u>Totals</u>	<u>Totals</u>
ASSETS							
Assets without donor restrictions							
Cash	\$ 858	\$ 168	\$ 152	-	\$ 48	\$ 1,226	\$ 1,146
Investments	10	-	-	-	2,895	2,905	2,500
Total assets without donor restrictions	<u>868</u>	<u>168</u>	<u>152</u>	<u>-</u>	<u>2,943</u>	<u>4,131</u>	<u>3,646</u>
Assets with donor restrictions							
Cash	-	5	-	2,704	1,578	4,287	5,137
Investments	-	-	-	6	11,411	11,417	8,927
Total assets with donor restrictions	<u>-</u>	<u>5</u>	<u>-</u>	<u>2,710</u>	<u>12,989</u>	<u>15,704</u>	<u>14,064</u>
Property and equipment - see Note 4							
Total assets	<u>\$ 868</u>	<u>\$ 173</u>	<u>\$ 152</u>	<u>\$ 2,710</u>	<u>\$ 15,932</u>	<u>\$ 19,835</u>	<u>\$ 17,710</u>
LIABILITIES AND NET ASSETS							
Liabilities							
Miscellaneous liabilities	\$ 16	\$ 29	-	-	-	\$ 45	\$ 42
Total liabilities	<u>16</u>	<u>29</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45</u>	<u>42</u>
Net assets							
Without donor restrictions	852	139	152	-	2,943	4,086	3,604
With donor restrictions	-	5	-	2,710	12,989	15,704	14,064
Total net assets	<u>852</u>	<u>144</u>	<u>152</u>	<u>2,710</u>	<u>15,932</u>	<u>19,790</u>	<u>17,668</u>
Total liabilities and net assets	<u>\$ 868</u>	<u>\$ 173</u>	<u>\$ 152</u>	<u>\$ 2,710</u>	<u>\$ 15,932</u>	<u>\$ 19,835</u>	<u>\$ 17,710</u>

The Notes to Financial Statements are an integral part of these financial statements.

CANTERBURY UNITED METHODIST CHURCH
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS – MODIFIED CASH BASIS
DECEMBER 31, 2023 WITH COMPARATIVE TOTALS FOR 2022
(Presented in Thousands)

	Operating			Designated	Foundation	2023 Totals	2022 Totals
	General	CDC	Day School				
SUPPORT AND REVENUE							
Support	\$ 4,242	\$ 1,121	\$ 475	\$ 2,735	\$ 2,265	\$ 10,838	\$ 9,769
Investment return	12	-	-	46	2,068	2,126	(2,020)
Transfers	417	9	1	(1,648)	1,221	-	-
Employee Retention Tax Credit	200	-	-	-	-	200	-
Total support and revenue	<u>4,871</u>	<u>1,130</u>	<u>476</u>	<u>1,133</u>	<u>5,554</u>	<u>13,164</u>	<u>7,749</u>
EXPENSES							
Program Expenses							
Staff parish and personnel	2,476	770	387	-	-	3,633	3,227
Ministries and missions	731	155	41	1,974	2,621	5,522	4,268
Conferences	363	-	-	-	-	363	363
Worship and learning ministries	171	-	-	-	-	171	151
Total program expenses	<u>3,741</u>	<u>925</u>	<u>428</u>	<u>1,974</u>	<u>2,621</u>	<u>9,689</u>	<u>8,009</u>
Supporting services							
Building and grounds	650	-	-	-	-	650	621
Kitchen	82	-	-	-	-	82	77
Administration	352	143	21	-	41	557	521
Communications	64	-	-	-	-	64	40
Total supporting services expenses	<u>1,148</u>	<u>143</u>	<u>21</u>	<u>-</u>	<u>41</u>	<u>1,353</u>	<u>1,259</u>
Total expenses	4,889	1,068	449	1,974	2,662	11,042	9,268
Change in net assets	(18)	62	27	(841)	2,892	2,122	(1,519)
Net assets, beginning of year	<u>870</u>	<u>82</u>	<u>125</u>	<u>3,551</u>	<u>13,040</u>	<u>17,668</u>	<u>19,187</u>
Net assets, end of year	<u>\$ 852</u>	<u>\$ 144</u>	<u>\$ 152</u>	<u>\$ 2,710</u>	<u>\$ 15,932</u>	<u>\$ 19,790</u>	<u>\$ 17,668</u>

The Notes to Financial Statements are an integral part of these financial statements.

CANTERBURY UNITED METHODIST CHURCH
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
DECEMBER 31, 2023 WITH COMPARATIVE TOTALS FOR 2022
(Presented in Thousands)

	Program Activities			Support Activities			Totals		
	Church	Christian Education	Missions & Evangelism	Total Program	Administrative	Other Support	Total Support	2023	2022
Expenses and losses									
Communications	\$ 54	\$ -	\$ 5	\$ 59	\$ 5	\$ -	\$ 5	64	40
Conferences, meetings, etc.	363	-	-	363	-	-	-	363	363
Missions and outreach	107	-	4,982	5,089	268	-	268	5,357	4,058
Repairs and maintenance	124	-	-	124	5	7	12	136	153
Salaries and benefits	2,434	1,145	-	3,579	333	36	369	3,948	3,576
Supplies and other expense	-	189	-	189	187	39	226	415	399
Utilities and building	494	41	6	541	47	-	47	588	528
Worship and learning	171	-	-	171	-	-	-	171	151
Total expenses	\$ 3,746	\$ 1,375	\$ 4,993	\$ 10,115	\$ 845	\$ 82	\$ 927	11,042	9,268

The Notes to Financial Statements are an integral part of these financial statements.

CANTERBURY UNITED METHODIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2023
(Presented in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Canterbury United Methodist Church have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligations are incurred. Accordingly, these financial statements are not intended to report the financial position, changes in net assets, or results of operations in accordance with generally accepted accounting principles.

The Church's modification from the pure cash basis is the recording of selected miscellaneous liabilities, notes payable, and investments at fair value.

Basis of Consolidation

The financial statements include the accounts of Canterbury United Methodist Church and The Canterbury Methodist Foundation (the Foundation). These entities are referred to collectively as "the Church". The Organizations have common control since members of the Church's Council sit on the Foundation's Board of Trustees. There is also an element of economic interest since the Foundation holds significant resources that must be used only for purposes of the Church. All material inter-organizational transactions have been eliminated.

Comparative Financial Information

The amounts shown for the year ended December 31, 2022 in the accompanying financial statements are included to provide a basis for comparison with 2023 and present summarized totals only. Such information should be read in conjunction with the Church's financial statements for the year ended December 31, 2022 from which the summarized information was derived.

Contributions

The Church records contributions when they are received.

Revenue Recognition

The Church's financial statements have been prepared on the modified cash basis of accounting, which results in revenue being recognized when cash is received. Revenues are derived from tuition and related fees for the Child Development Center and Day School. If U.S. GAAP were used, revenues from the Child Development Center and Day School would be recognized at a point in time as services were completed.

CANTERBURY UNITED METHODIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2023
(Presented in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes

The Church is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

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 could affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Evaluation of Subsequent Events

Management has evaluated subsequent events through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

Net Assets

As a 501(c)(3) organization, the majority of the Church's net assets were contributed by donors. With the exception of net assets with donor restrictions described in Note 8, all net assets are available for use by the Church without restriction.

NOTE 2 - NATURE OF BUSINESS

Canterbury United Methodist Church, a nonprofit organization, is part of the North Alabama Conference of the United Methodist Church. The Church exists to minister to its membership, community, and to promote evangelism within Birmingham, Alabama and abroad. The Church is supported primarily through contributions from the congregation, thus changes in the economy of the Birmingham area possibly would impact the amounts of contributions received.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

The Church maintains its cash balances at various financial institutions. At times, such balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) limit. At December 31, 2023, the cash deposits exceeded amounts insured by the FDIC by approximately \$485. The Church attempts to minimize uninsured balances and regularly reviews the financial stability of any custodian of uninsured deposits.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment are not reflected on the financial statements of the Church. Property and equipment are expensed as incurred. The insured value of property and equipment was approximately \$59,000 at December 31, 2023.

CANTERBURY UNITED METHODIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2023
(Presented in Thousands)

NOTE 5 - OTHER FUNDS

Within the Church, there are organizations, such as Sunday school classes, volunteer groups, etc. that maintain bank accounts and financial records. Neither the Church nor the Church Council has any control or authorization for the collection or disbursement of any of these funds. As a result, such funds are not included in these financial statements.

NOTE 6 - INVESTMENTS

Investments are recorded at fair value based on quoted market prices in active markets (all Level 1 measurements). Investments consisted of the following as of December 31, 2023:

Assets without donor restrictions

	<u>General</u>	<u>Designated</u>	<u>Foundation</u>	<u>Total</u>
Exchange traded products	\$ -	\$ -	\$ 1,974	\$ 1,974
Unsettled stock contributions	10	-	-	10
Mutual funds	-	-	921	921
	<u>-</u>	<u>-</u>	<u>921</u>	<u>921</u>
Total without donor restrictions	\$ <u>10</u>	\$ <u>-</u>	\$ <u>2,895</u>	\$ <u>2,905</u>

Assets with donor restrictions

	<u>General</u>	<u>Designated</u>	<u>Foundation</u>	<u>Total</u>
Exchange traded products	\$ -	\$ -	\$ 7,821	\$ 7,821
Unsettled stock contributions	-	6	-	6
Mutual funds	-	-	3,590	3,590
	<u>-</u>	<u>-</u>	<u>3,590</u>	<u>3,590</u>
Total with donor restrictions	\$ <u>-</u>	\$ <u>6</u>	\$ <u>11,411</u>	\$ <u>11,417</u>

CANTERBURY UNITED METHODIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2023
(Presented in Thousands)

NOTE 6 - INVESTMENTS - CONTINUED

The components of total return from investments for 2023 are reflected below:

Assets without donor restrictions	<u>General</u>	<u>Designated</u>	<u>Foundation</u>	<u>Total</u>
Dividends and interest	\$ 12	\$ -	\$ 71	\$ 83
Net realized and unrealized gains and losses	<u>-</u>	<u>-</u>	<u>352</u>	<u>352</u>
Total without donor restrictions	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ 423</u>	<u>\$ 435</u>
Assets with donor restrictions				
	<u>General</u>	<u>Designated</u>	<u>Foundation</u>	<u>Total</u>
Dividends and interest	\$ -	\$ 46	\$ 308	\$ 354
Net realized and unrealized gains and losses	<u>-</u>	<u>-</u>	<u>1,337</u>	<u>1,337</u>
Total with donor restrictions	<u>\$ -</u>	<u>\$ 46</u>	<u>\$ 1,645</u>	<u>\$ 1,691</u>
Totals	<u>\$ 12</u>	<u>\$ 46</u>	<u>\$ 2,068</u>	<u>\$ 2,126</u>

NOTE 7 - PENSION PLAN

The Church participates in a cumulative pension and benefit fund that is a defined contribution plan. The Church contributes 6% of each active participant's contribution base if the participant contributes 3%. Employees must meet certain age and service requirements to become eligible participants.

The Church contributed \$85 to the plan for the year ended December 31, 2023.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31, 2023:

Ministries and missions	\$ 15,239
Prepaid pledges	<u>465</u>
Totals	<u>\$ 15,704</u>

CANTERBURY UNITED METHODIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2023
(Presented in Thousands)

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS - CONTINUED

A reconciliation of the changes in net assets with donor restrictions for the year ended December 31, 2023 is as follows:

December 31, 2022	\$	14,064
Earnings and contributions		5,105
Expenditures		<u>(3,466)</u>
December 31, 2023	\$	<u>15,703</u>

NOTE 9 - LIQUIDITY

The Church's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Financial assets, at year end	\$	19,835
Less: financial assets unavailable for general expenditures within one year due to donor-imposed restrictions		<u>(15,704)</u>
	\$	<u>4,131</u>

Because a donor's restriction requires 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. Thus, financial assets may not be available for general expenditure within one year. As a part of the Church's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10 - COMMITMENTS

The Church has various equipment leases that have remaining non-cancelable lease terms in excess of one year. Rent expense under these leases is \$35 for the year ended December 31, 2023.

Future minimum lease payments under the operating lease obligations are as follows:

2024	\$	34
2025		28
2026		<u>17</u>
Total	\$	<u>79</u>

CANTERBURY UNITED METHODIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2023
(Presented in Thousands)

NOTE 11 – RECLASSIFICATION OF PRIOR YEAR PRESENTATION

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. These reclassifications had no effect on the net results of operations. The comparative numbers have been adjusted to reflect this reclassification which resulted in an increase in net assets with donor restrictions of \$7,696 and a decrease in net assets without donor restrictions of \$7,696.