

**Canterbury United Methodist Church**  
**Birmingham, Alabama**

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**Financial Report**  
**December 31, 2022**

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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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Dent Moses LLP*

Birmingham, Alabama

July 31, 2023

**CANTERBURY UNITED METHODIST CHURCH**  
**STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS**  
**DECEMBER 31, 2022 WITH COMPARATIVE TOTALS FOR 2021**  
(Presented in Thousands)

	<u>Operating</u>			Designated	Foundation	<u>2022</u>	<u>2021</u>
	<u>General</u>	<u>CDC</u>	<u>Day School</u>			<u>Totals</u>	<u>Totals</u>
<b>ASSETS</b>							
Assets without donor restrictions							
Cash	\$ 862	\$ 105	\$ 125	-	\$ 174	\$ 1,266	\$ 1,179
Investments	22	-	-	-	10,174	10,196	12,021
Total assets without donor restrictions	<u>884</u>	<u>105</u>	<u>125</u>	<u>-</u>	<u>10,348</u>	<u>11,462</u>	<u>13,200</u>
Assets with donor restrictions							
Cash	-	5	-	3,546	1,466	5,017	4,627
Investments	-	-	-	5	1,226	1,231	1,430
Total assets with donor restrictions	<u>-</u>	<u>5</u>	<u>-</u>	<u>3,551</u>	<u>2,692</u>	<u>6,248</u>	<u>6,057</u>
Property and equipment - see Note 4							
<b>Total assets</b>	<b><u>\$ 884</u></b>	<b><u>\$ 110</u></b>	<b><u>\$ 125</u></b>	<b><u>\$ 3,551</u></b>	<b><u>\$ 13,040</u></b>	<b><u>\$ 17,710</u></b>	<b><u>\$ 19,257</u></b>
<b>LIABILITIES AND NET ASSETS</b>							
Liabilities							
Miscellaneous liabilities	\$ 14	\$ 28	-	-	-	\$ 42	\$ 70
Total liabilities	<u>14</u>	<u>28</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42</u>	<u>70</u>
Net assets							
Without donor restrictions	870	77	125	-	10,348	11,420	13,130
With donor restrictions	-	5	-	3,551	2,692	6,248	6,057
Total net assets	<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>
<b>Total liabilities and net assets</b>	<b><u>\$ 884</u></b>	<b><u>\$ 110</u></b>	<b><u>\$ 125</u></b>	<b><u>\$ 3,551</u></b>	<b><u>\$ 13,040</u></b>	<b><u>\$ 17,710</u></b>	<b><u>\$ 19,257</u></b>

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, 2022 WITH COMPARATIVE TOTALS FOR 2021**  
(Presented in Thousands)

	Operating			Designated	Foundation	2022	2021
	General	CDC	Day School			Totals	Totals
<b>SUPPORT AND REVENUE</b>							
Support	\$ 4,379	\$ 994	\$ 443	\$ 2,848	\$ 1,105	\$ 9,769	\$ 9,451
Investment return	2	-	-	6	(2,028)	(2,020)	1,561
Transfers	144	6	1	(522)	371	-	-
PPP loan forgiveness & grant proceeds	-	-	-	-	-	-	-
<b>Total support and revenue</b>	<u>4,525</u>	<u>1,000</u>	<u>444</u>	<u>2,332</u>	<u>(552)</u>	<u>7,749</u>	<u>11,012</u>
<b>EXPENSES</b>							
Staff parish and personnel	2,196	668	363	-	-	3,227	3,332
Ministries and missions	736	142	42	1,867	1,481	4,268	4,193
Conferences	363	-	-	-	-	363	410
Worship and learning ministries	151	-	-	-	-	151	135
Building and grounds	621	-	-	-	-	621	508
Kitchen	77	-	-	-	-	77	75
Administration	350	115	17	-	39	521	511
Communications	40	-	-	-	-	40	32
<b>Total expenses</b>	<u>4,534</u>	<u>925</u>	<u>422</u>	<u>1,867</u>	<u>1,520</u>	<u>9,268</u>	<u>9,196</u>
<b>Change in net assets</b>	(9)	75	22	465	(2,072)	(1,519)	1,816
<b>Net assets, beginning of year</b>	<u>879</u>	<u>7</u>	<u>103</u>	<u>3,086</u>	<u>15,112</u>	<u>19,187</u>	<u>17,371</u>
<b>Net assets, end of year</b>	<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>

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, 2022 WITH COMPARATIVE TOTALS FOR 2021**  
(Presented in Thousands)

	Program Activities			Support Activities			Totals		
	Church	Christian Education	Missions & Evangelism	Total Program	Administrative	Other Support	Total Support	2022	2021
Expenses and losses									
Communications	\$ 34	\$ -	\$ 3	\$ 37	\$ 3	\$ -	\$ 3	40	32
Conferences, meetings, etc.	363	-	-	363	-	-	-	363	410
Missions and outreach	74	-	3,794	3,868	190	-	190	4,058	4,120
Repairs and maintenance	140	-	-	140	6	7	13	153	134
Salaries and benefits	2,087	1,002	-	3,089	460	27	487	3,576	3,441
Supplies and other expense	-	182	-	182	178	39	217	399	364
Utilities and building	441	38	7	486	42	-	42	528	560
Worship and learning	151	-	-	151	-	-	-	151	135
<b>Total expenses</b>	<b>\$ 3,290</b>	<b>\$ 1,222</b>	<b>\$ 3,804</b>	<b>\$ 8,316</b>	<b>\$ 879</b>	<b>\$ 73</b>	<b>\$ 952</b>	<b>9,268</b>	<b>9,196</b>

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



**CANTERBURY UNITED METHODIST CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**  
(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, 2021 in the accompanying financial statements are included to provide a basis for comparison with 2022 and present summarized totals only. Such information should be read in conjunction with the Church's financial statements for the year ended December 31, 2021 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, 2022**  
(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, 2022, the cash deposits exceeded amounts insured by the FDIC by approximately \$4,367. 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 \$55,000 at December 31, 2022.

**CANTERBURY UNITED METHODIST CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**  
(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, 2022:

Assets without donor restrictions

	<u>General</u>	<u>Designated</u>	<u>Foundation</u>	<u>Total</u>
Exchange traded products	\$ -	\$ -	\$ 7,118	\$ 7,118
Unsettled stock contributions	22	-	-	22
Mutual funds	-	-	3,056	3,056
	<u>-</u>	<u>-</u>	<u>3,056</u>	<u>3,056</u>
Total without donor restrictions	\$ <u>22</u>	\$ <u>-</u>	\$ <u>10,174</u>	\$ <u>10,196</u>

Assets with donor restrictions

	<u>General</u>	<u>Designated</u>	<u>Foundation</u>	<u>Total</u>
Exchange traded products	\$ -	\$ -	\$ 914	\$ 914
Unsettled stock contributions	-	5	-	5
Mutual funds	-	-	312	312
	<u>-</u>	<u>-</u>	<u>312</u>	<u>312</u>
Total with donor restrictions	\$ <u>-</u>	\$ <u>5</u>	\$ <u>1,226</u>	\$ <u>1,231</u>

**CANTERBURY UNITED METHODIST CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**  
(Presented in Thousands)

**NOTE 6 – INVESTMENTS – CONTINUED**

The components of total return from investments for 2022 are reflected below:

Assets without donor restrictions	<u>General</u>	<u>Designated</u>	<u>Foundation</u>	<u>Total</u>
Dividends and interest	\$ 2	\$ -	\$ 253	\$ 255
Net realized and unrealized gains and losses	<u>-</u>	<u>-</u>	<u>(2,058)</u>	<u>(2,058)</u>
Total without donor restrictions	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ (1,805)</u>	<u>\$ (1,803)</u>
Assets with donor restrictions	<u>General</u>	<u>Designated</u>	<u>Foundation</u>	<u>Total</u>
Dividends and interest	\$ -	\$ 6	\$ 30	\$ 36
Net realized and unrealized gains and losses	<u>-</u>	<u>-</u>	<u>(253)</u>	<u>(253)</u>
Total with donor restrictions	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ (223)</u>	<u>\$ (217)</u>
Totals	<u>\$ 2</u>	<u>\$ 6</u>	<u>\$ (2,028)</u>	<u>\$ (2,020)</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 \$80 to the plan for the year ended December 31, 2022.

**NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes at December 31, 2022:

Ministries and missions	\$ 5,791
Prepaid pledges	<u>457</u>
Totals	<u>\$ 6,248</u>

**CANTERBURY UNITED METHODIST CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**  
(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, 2022 is as follows:

December 31, 2021	\$	6,057
Earnings and contributions		3,267
Expenditures		<u>(3,076)</u>
December 31, 2022	\$	<u><u>6,248</u></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	\$	17,710
Less: financial assets unavailable for general expenditures within one year due to donor-imposed restrictions		<u>(6,248)</u>
	\$	<u><u>11,462</u></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 \$30 for the year ended December 31, 2022.

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

2023	\$	32
2024		32
2025		28
2026		<u>17</u>
Total	\$	<u><u>109</u></u>