

SOUTHBROOK CHRISTIAN CHURCH
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011 AND
NINE MONTHS ENDED SEPTEMBER 30, 2010

GOLDSHOT, LAMB & HOBBS, INC.
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Certified Public Accountants
Business Advisors

Independent Auditor's Report

Leadership Team Members
SouthBrook Christian Church
Dayton, Ohio

We have audited the accompanying statements of assets, liabilities, and net assets - modified cash basis of SouthBrook Christian Church (a nonprofit organization) as of September 30, 2011 and 2010 and the related statements of support, revenues, expenses and changes in net assets - modified cash basis and cash flows - modified cash basis for the year ended September 30, 2011 and the nine months ended September 30, 2010. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of SouthBrook Christian Church as of September 30, 2011 and 2010 and its support, revenues, expenses and changes in net assets and cash flows for the year and nine months ended on the basis of accounting as described in Note 2.

Goldshot, Lamb & Hobbs, Inc.

December 19, 2011

SOUTHBROOK CHRISTIAN CHURCH

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS

SEPTEMBER 30, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 1,461,061	\$ 1,156,686
Investment	37,980	33,760
Total Current Assets	<u>1,499,041</u>	<u>1,190,446</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land and Improvements	1,640,511	1,640,511
Buildings and Improvements	13,135,482	13,135,482
Campus Systems	91,255	91,255
Furniture and Equipment	1,216,694	1,211,144
Vehicle	20,800	14,300
Information Systems	51,923	36,585
Construction in Process	7,576	-
Total Property and Equipment	<u>16,164,241</u>	<u>16,129,277</u>
Less: Accumulated Depreciation	<u>2,786,438</u>	<u>2,162,068</u>
Total Property and Equipment - Net	<u>13,377,803</u>	<u>13,967,209</u>
TOTAL	<u><u>\$ 14,876,844</u></u>	<u><u>\$ 15,157,655</u></u>

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
<u>CURRENT LIABILITIES</u>		
Funds Due to Events and Classes	\$ 33,631	\$ 33,657
Current Portion of Long-Term Obligation	112,308	105,849
Total Current Liabilities	<u>145,939</u>	<u>139,506</u>
<u>LONG-TERM OBLIGATION (Net of Current Portion)</u>	<u>6,584,948</u>	<u>6,700,801</u>
<u>TOTAL LIABILITIES</u>	<u>6,730,887</u>	<u>6,840,307</u>
<u>NET ASSETS</u>		
Temporarily Restricted Net Assets	83,916	51,547
Unrestricted Net Assets	8,062,041	8,265,801
Total Net Assets	<u>8,145,957</u>	<u>8,317,348</u>
TOTAL	<u><u>\$ 14,876,844</u></u>	<u><u>\$ 15,157,655</u></u>

The accompanying notes are an integral part of these financial statements.

SOUTHBROOK CHRISTIAN CHURCH

STATEMENT OF SUPPORT, REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -

MODIFIED CASH BASIS

YEAR ENDED SEPTEMBER 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Contributions	\$ 4,060,087	\$ 348,888	\$ 4,408,975
Bookstore Revenue	36,084	-	36,084
Rental Income	430	-	430
Interest and Dividends	2,805	-	2,805
Change in Market Value of Investments	4,220	-	4,220
Loss on Sales of Securities	(1,137)	-	(1,137)
Net Assets Released from Restrictions	316,519	(316,519)	-
Total Support and Revenue	<u>4,419,008</u>	<u>32,369</u>	<u>4,451,377</u>
<u>EXPENSES</u>			
Administration	263,355	-	263,355
Bookstore	39,102	-	39,102
Campus	744,671	-	744,671
Communications	75,649	-	75,649
Community Care	11,770	-	11,770
Community Groups/Small Groups	19,749	-	19,749
Compensation and Benefits	1,963,951	-	1,963,951
Depreciation	624,370	-	624,370
Designated Funds	33,413	-	33,413
Discipleship	7,210	-	7,210
Epic	23,181	-	23,181
Events	121,778	-	121,778
Guest Services	133,696	-	133,696
Harvestland	28,455	-	28,455
Missions	445,155	-	445,155
Worship Arts	87,263	-	87,263
Total Expenses	<u>4,622,768</u>	<u>-</u>	<u>4,622,768</u>
<u>CHANGE IN NET ASSETS</u>	(203,760)	32,369	(171,391)
<u>NET ASSETS - BEGINNING</u>	<u>8,265,801</u>	<u>51,547</u>	<u>8,317,348</u>
<u>NET ASSETS - ENDING</u>	<u>\$ 8,062,041</u>	<u>\$ 83,916</u>	<u>\$ 8,145,957</u>

The accompanying notes are an integral part of these financial statements.

SOUTHBROOK CHRISTIAN CHURCH

STATEMENT OF SUPPORT, REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -

MODIFIED CASH BASIS

NINE MONTHS ENDED SEPTEMBER 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Contributions	\$ 2,507,559	\$ 173,858	\$ 2,681,417
Bookstore Revenue	47,838	-	47,838
Rental Income	-	-	-
Interest and Dividends	1,943	-	1,943
Change in Market Value of Investments	-	-	-
Loss on Sales of Securities	-	-	-
Net Assets Released from Restrictions	297,472	(297,472)	-
Total Support and Revenue	<u>2,854,812</u>	<u>(123,614)</u>	<u>2,731,198</u>
<u>EXPENSES</u>			
Administration	148,445	-	148,445
Bookstore	40,874	-	40,874
Campus	712,241	-	712,241
Communications	59,964	-	59,964
Community Care	8,738	-	8,738
Community Groups/Small Groups	15,529	-	15,529
Compensation and Benefits	1,406,681	-	1,406,681
Depreciation	483,159	-	483,159
Designated Funds	37,219	-	37,219
Discipleship	5,950	-	5,950
Epic	20,854	-	20,854
Events	60,481	-	60,481
Guest Services	101,511	-	101,511
Harvestland	20,003	-	20,003
Missions	379,120	-	379,120
Worship Arts	57,001	-	57,001
Total Expenses	<u>3,557,770</u>	<u>-</u>	<u>3,557,770</u>
<u>CHANGE IN NET ASSETS</u>	(702,958)	(123,614)	(826,572)
<u>NET ASSETS - BEGINNING</u>	<u>8,968,759</u>	<u>175,161</u>	<u>9,143,920</u>
<u>NET ASSETS - ENDING</u>	<u>\$ 8,265,801</u>	<u>\$ 51,547</u>	<u>\$ 8,317,348</u>

The accompanying notes are an integral part of these financial statements.

SOUTHBROOK CHRISTIAN CHURCH

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

YEAR ENDED SEPTEMBER 30, 2011 AND NINE MONTHS ENDED SEPTEMBER 30, 2010

	2011 <u>(12 MONTHS)</u>	2010 <u>(9 MONTHS)</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ (171,391)	\$ (826,572)
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:		
Depreciation Expense	624,370	483,159
Net Realized and Unrealized Gain on Investments	(3,083)	-
Decrease in Other Current Liabilities	(26)	17,131
Net Cash Provided (Used) by Operating Activities	<u>449,870</u>	<u>(326,282)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Sale of Investments	22,385	-
Donation of Investments	(23,522)	-
Purchase of Property and Equipment	(34,964)	(22,880)
Net Cash Used by Investing Activities	<u>(36,101)</u>	<u>(22,880)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments on Long-term Obligations	(109,394)	(71,215)
Net Cash Used by Financing Activities	<u>(109,394)</u>	<u>(71,215)</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	304,375	(420,377)
<u>CASH - BEGINNING</u>	<u>1,156,686</u>	<u>1,577,063</u>
<u>CASH - ENDING</u>	<u>\$ 1,461,061</u>	<u>\$ 1,156,686</u>
<u>SUPPLEMENTARY INFORMATION</u>		
Cash Paid for Interest	<u>\$ 385,077</u>	<u>\$ 299,639</u>
Cash Paid for Income Taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

SOUTHBROOK CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011 AND
NINE MONTHS ENDED DECEMBER 31, 2010

1. NATURE OF ORGANIZATION:

SouthBrook Christian Church (the Organization) is a not-for-profit Ohio corporation exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code.

The Organization provides a non-denominational place to worship and study the Bible. The Organization's mission is to help those who struggle with faith live like Jesus Christ forever. The Organization's Vision is to be a front porch for greater Dayton, a biblical epicenter of creativity, community, compassion and life change through Jesus Christ.

Management changed the year end from December 31st to September 30th beginning with the nine months ended September 30, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The financial statements are prepared on the modified cash basis of accounting; consequently certain revenue and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred, except provisions for property and long-term obligations are recorded.

Basis of Presentation

The Organization reports information regarding its statement of assets, liabilities and net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

The Organization considers all short-term investments with an original maturity of one year or less when purchased to be "cash equivalents".

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

SOUTHBROOK CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011 AND
NINE MONTHS ENDED DECEMBER 31, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in annuities at their fair values in the Statements of Assets, Liabilities and Net Assets - Modified Cash Basis. Realized and unrealized gains and losses are included in the change in net assets in the accompanying Statement of Support, Revenues, Expenses and Changes in Net Assets - Modified Cash Basis.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$2,500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the useful lives as follows:

	<u>Years</u>
Land Improvements	15
Buildings and Improvements	10 - 30
Campus Systems	7 - 10
Furniture and Equipment	5 - 30
Vehicle	5
Information Systems	5 - 7

Gains and losses on disposal of property and equipment are reflected currently in revenue. Maintenance and repairs are charged to expense at the time the expenditure is incurred. Replacements and betterments, which significantly lengthen useful lives, are capitalized.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Presentation of Sales Tax

The State of Ohio imposes a sales tax on all of the Organization's sales to nonexempt customers. The Organization collects that sales tax from customers and remits the entire amount to the State. The Organization's accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

Date of Management's Review

Subsequent events have been evaluated through December 19, 2011, which is the date the financial statements were available to be issued.

SOUTHBROOK CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011 AND
NINE MONTHS ENDED DECEMBER 31, 2010

3. INVESTMENTS:

Investment values as of September 30, 2011 and 2010 were as follows:

	2011		Unrealized Loss
	Fair Value	Cost Value	
Closely Held Stock	\$ 37,980	\$ 67,520	\$ (29,540)
	2010		Unrealized Loss
	Fair Value	Cost Value	
Closely Held Stock	\$ 33,760	\$ 67,520	\$ (33,760)

The Organization holds an investment individually, which is uninsured. The Organization's uninsured balances as of September 30, 2011 and 2010 were \$37,980 and \$33,760 respectively.

4. FAIR VALUE MEASUREMENTS:

Assets and liabilities are measured at their fair value, defined as the price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

A three-level fair value hierarchy that prioritizes the inputs is used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.
- Level 2 – Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that reflect the Company's own assumptions about the assumption that market participants would use in pricing an asset or liability.

SOUTHBROOK CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011 AND
NINE MONTHS ENDED DECEMBER 31, 2010

4. FAIR VALUE MEASUREMENTS (continued):

The Organization has determined that the only material financial assets or liabilities that are measured at fair value on a recurring basis and categorized using the fair value hierarchy are investments. For such investments, fair value measurement is based upon an appraisal (Level 2). Level 2 security is made up of a non-publicly traded financial institution's stock. The market value was determined by an independent appraisal.

5. LONG-TERM OBLIGATION:

	2011	2010
First Financial Bank, interest at 5.75%, monthly payments of \$41,206 including interest, due July 2018, secured by real estate.	6,697,256	6,806,650
Less: Current Maturities	112,308	105,849
Total Long-term Obligation (Net of Current Portion)	\$ 6,584,948	\$ 6,700,801

Maturities of long-term obligation are as follows:

Years Ending September 30,	Amount
2012	\$ 112,308
2013	118,939
2014	125,961
2015	133,397
2016	141,273
Thereafter	6,065,378
Total	\$ 6,697,256

The Organization has various loan covenants associated with its long-term obligation. One loan covenant requires that the Organization present its financial statements in accordance with accounting principles generally accepted in the United States of America. The Organization has obtained a waiver letter from the bank concerning this loan covenant because it uses the modified cash basis of accounting.

SOUTHBROOK CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011 AND
NINE MONTHS ENDED DECEMBER 31, 2010

6. LEASE:

The Organization leases a copier for a 60 month term with monthly payments of \$670. The lease expense for the year ended September 30, 2011 and the nine months ended September 30, 2010 was \$8,040 and \$6,030, respectively.

Minimum annual lease payments are as follows:

<u>Years Ending</u> <u>September 30,</u>	<u>Amount</u>
2012	8,040
2013	8,040
Total	<u>\$ 16,080</u>

7. RETIREMENT PLAN:

The Organization participates in a retirement plan, which covers its pastors and full-time employees. The Plan is a tax sheltered annuity plan under Section 403(b) of the Internal Revenue Code. Under the Plan, employees may elect salary deferral. The Organization does not contribute to the plan or offer a matching percentage.

8. CONCENTRATION OF CREDIT RISK:

The Organization maintains cash balances at various institutions. The Federal Deposit Insurance Corporation, Securities Investor Protection Corporation and National Credit Union Administration insured up to \$250,000 on interest-bearing accounts at September 30, 2011. The Federal Deposit Insurance Corporation insured up to \$250,000 on interest-bearing and noninterest-bearing accounts at September 30, 2010. The Organization also maintains one money market account with an institution which is not insured. At September 30, 2011 and 2010, the Organization's uninsured cash balances totaled \$992 and \$167.

9. DESIGNATED UNRESTRICTED NET ASSETS:

The management of the Organization has designated unrestricted net assets for the following purpose at September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
EPIC Mexico Trip (Kroger Card)	<u>\$ 2,458</u>	<u>\$ 2,301</u>

SOUTHBROOK CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011 AND
NINE MONTHS ENDED DECEMBER 31, 2010

10. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets were available for the following purposes at September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Mission Fund	68,890	51,547
Trip Fund	<u>15,026</u>	<u>0</u>
Total Temporarily Restricted Net Assets	<u>\$ 83,916</u>	<u>\$ 51,547</u>

11. FAIR VALUE OF INSTRUMENTS:

The Company has a number of financial instruments, none of which are held for trading purposes. The Company estimates that the fair value of all financial instruments at September 30, 2011 and 2010, does not differ materially from the aggregate carrying values of its financial instruments in the accompanying balance sheets. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

12. MISSIONS:

Missions expense consisted of the following areas at September 30, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Missions Budget	127,836	80,938
Restricted Expenses	<u>317,319</u>	<u>298,182</u>
Total Missions	<u>\$ 445,155</u>	<u>\$ 379,120</u>