

**Fiorita Kornhaas  
& Company, PC**

Certified Public Accountants and Advisors

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**WALNUT HILL**  
COMMUNITY CHURCH

**Walnut Hill Community Church**

**FINANCIAL STATEMENTS**

For the Years Ended June 30, 2023 and 2022

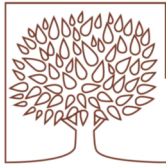
With Independent Auditor's Report

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WALNUT HILL COMMUNITY CHURCH

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2023:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7-16



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Elders  
of Walnut Hill Community Church

### **Opinion**

We have audited the accompanying financial statements of Walnut Hill Community Church. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows 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 financial position of Walnut Hill Community Church as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **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 Walnut Hill Community 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.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Walnut Hill Community Church's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **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 Walnut Hill Community 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 Walnut Hill Community 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.

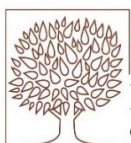
#### **Report on Summarized Comparative Information**

We have previously audited Walnut Hill Community Church's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Fiorita, Kornhaas & Company, PC*

Fiorita, Kornhaas, & Company, P.C.  
Certified Public Accountants

Danbury, Connecticut  
February 5, 2024



Fiorita Kornhaas  
& Company, PC

Certified Public Accountants and Advisors

WALNUT HILL COMMUNITY CHURCH  
STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,778,767	\$ 2,915,826
Employee receivable	8,100	-
Prepaid expenses and other current assets	91,838	58,543
<u>TOTAL CURRENT ASSETS</u>	2,878,705	2,974,369
<u>PROPERTY AND EQUIPMENT, NET</u>	13,257,178	13,755,817
<u>OTHER ASSETS</u>		
Right of use asset, finance leases	54,780	-
<u>TOTAL ASSETS</u>	\$ 16,190,663	\$ 16,730,186
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 172,905	\$ 108,677
Deferred rent	19,210	-
Short-term lease liability, finance leases	21,775	-
Current portion of capital lease obligations	-	16,941
Current portion long-term debt	-	3,140
<u>TOTAL CURRENT LIABILITIES</u>	213,890	128,758
<u>LONG-TERM LIABILITIES</u>		
Long-term lease liability, finance leases	37,132	-
Capital lease obligations, net of current portion	-	51,015
<u>TOTAL LONG-TERM LIABILITIES</u>	37,132	51,015
<u>TOTAL LIABILITIES</u>	251,022	179,773
<u>NET ASSETS</u>		
Net assets without donor restrictions	14,062,721	14,033,107
Net assets with donor restrictions	1,876,920	2,517,306
<u>TOTAL NET ASSETS</u>	15,939,641	16,550,413
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 16,190,663	\$ 16,730,186

See independent auditor's report and notes to the financial statements.

WALNUT HILL COMMUNITY CHURCH  
STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023  
(With Summarized Financial Information for 2022)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>TOTALS</u>	
			<u>2023</u>	<u>2022</u>
<u>REVENUES</u>				
Contributions and grants:				
Cash and other financial assets	\$ 4,204,313	\$ 1,221,200	\$ 5,425,513	\$ 4,940,943
In-kind	705,800	-	705,800	685,900
Rental income, net	37,104	-	37,104	10,646
Miscellaneous income (loss), net	(6,192)	-	(6,192)	4,100
Gain on sale of equipment	-	-	-	513
Gain (loss) on sale of investments, net	751	-	751	(339)
Interest	4,322	-	4,322	4,504
Total revenues	<u>4,946,098</u>	<u>1,221,200</u>	<u>6,167,298</u>	<u>5,646,267</u>
Net assets released from restrictions	<u>1,861,586</u>	<u>(1,861,586)</u>	<u>-</u>	<u>-</u>
Total revenues and net assets released	6,807,684	(640,386)	6,167,298	5,646,267
<u>EXPENSES</u>				
Program services:				
Ministries and program	3,877,123	-	3,877,123	3,741,629
Outreach and community engagement	1,796,590	-	1,796,590	1,358,664
Capital and development	547,874	-	547,874	460,538
Grants and other programs	13,772	-	13,772	19,146
Total program services	<u>6,235,359</u>	<u>-</u>	<u>6,235,359</u>	<u>5,579,977</u>
Supporting services:				
Management and general	535,934	-	535,934	499,393
Fundraising	6,777	-	6,777	905
Total supporting services	<u>542,711</u>	<u>-</u>	<u>542,711</u>	<u>500,298</u>
Total expenses	<u>6,778,070</u>	<u>-</u>	<u>6,778,070</u>	<u>6,080,275</u>
Increase (decrease) in net assets	29,614	(640,386)	(610,772)	(434,008)
Net assets, beginning of year	<u>14,033,107</u>	<u>2,517,306</u>	<u>16,550,413</u>	<u>16,984,421</u>
Net assets, end of year	<u>\$ 14,062,721</u>	<u>\$ 1,876,920</u>	<u>\$ 15,939,641</u>	<u>\$ 16,550,413</u>

See independent auditor's report and notes to the financial statements.

WALNUT HILL COMMUNITY CHURCH  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2023  
(With Summarized Financial Information for 2022)

	2023							2022	
	Ministries and program	Outreach and community engagement	Capital and development	Grants and other programs	Total program services	Management and general	Fundraising	Total	
Grants and other assistance	\$ -	\$ 1,685,223	\$ 27,045	\$ 8,358	\$ 1,720,626	\$ -	\$ -	\$ 1,720,626	\$ 1,368,823
Benevolence and awards to others	-	22,804	-	5,414	28,218	-	-	28,218	27,024
Salaries, benefits and related taxes	2,229,231	88,563	465,592	-	2,783,386	266,467	-	3,049,853	2,912,893
Staff development and conferences	52,348	-	-	-	52,348	5,471	-	57,819	60,400
Ministry supplies and resources	70,501	-	48,980	-	119,481	-	-	119,481	109,238
Communication, multimedia and advertising	13,467	-	-	-	13,467	70,735	6,777	90,979	87,373
Technology support	83,780	-	-	-	83,780	5,826	-	89,606	75,289
Food and fellowship	51,790	-	-	-	51,790	-	-	51,790	35,826
Consultants and honorariums	15,466	-	-	-	15,466	10,761	-	26,227	40,725
Professional service fees	2,570	-	-	-	2,570	37,016	-	39,586	33,888
Office equipment rental expense	49,158	-	-	-	49,158	3,700	-	52,858	11,257
Printing and supplies expense	25,216	-	-	-	25,216	1,750	-	26,966	24,685
Bank and processing fees	-	-	-	-	-	60,057	-	60,057	65,099
Campus occupancy costs	241,659	-	-	-	241,659	16,175	-	257,834	214,451
Campus repair and maintenance costs	312,760	-	5,953	-	318,713	19,869	-	338,582	265,483
Insurance expense	51,172	-	304	-	51,476	3,667	-	55,143	50,357
Interest expense	-	-	-	-	-	2,113	-	2,113	8,606
Depreciation expense	678,005	-	-	-	678,005	32,327	-	710,332	688,858
	<u>\$ 3,877,123</u>	<u>\$ 1,796,590</u>	<u>\$ 547,874</u>	<u>\$ 13,772</u>	<u>\$ 6,235,359</u>	<u>\$ 535,934</u>	<u>\$ 6,777</u>	<u>\$ 6,778,070</u>	<u>\$ 6,080,275</u>

See independent auditor's report and notes to the financial statements.

WALNUT HILL COMMUNITY CHURCH  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (610,772)	\$ (434,008)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	710,332	688,858
Amortization of lease liability	21,274	-
Interest expense on finance leases	2,062	-
Gain on sale of equipment	-	(513)
Changes in:		
Employee receivable	(8,100)	-
Prepaid expenses and other current assets	(33,295)	(9,732)
Accounts payable and accrued expenses	64,228	(29,101)
Deferred rent	19,210	-
Finance leases	44,278	-
Capital lease obligations	<u>(67,956)</u>	<u>(15,137)</u>
Net cash provided by operating activities	<u>141,261</u>	<u>200,367</u>
Cash flows from investing activities:		
Proceeds from sale of equipment	-	513
Property and equipment acquisitions	<u>(275,180)</u>	<u>(660,750)</u>
Net cash used in investing activities	<u>(275,180)</u>	<u>(660,237)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	<u>(3,140)</u>	<u>(23,574)</u>
Net cash used in financing activities	<u>(3,140)</u>	<u>(23,574)</u>
Net decrease in cash and cash equivalents	(137,059)	(483,444)
Cash and cash equivalents, beginning of year	<u>2,915,826</u>	<u>3,399,270</u>
Cash and cash equivalents, end of year	<u>\$ 2,778,767</u>	<u>\$ 2,915,826</u>
Supplemental information:	<u>2023</u>	<u>2022</u>
Cash activity for the year:		
Interest paid	<u>\$ 2,113</u>	<u>\$ 8,606</u>

See independent auditor's report and notes to the financial statements.



Note 1: NATURE OF ACTIVITIES

Walnut Hill Community Church (the "Church") is a Connecticut not-for-profit corporation whose members are followers of Jesus Christ. The mission declaration of the Church states "Igniting a passion for Jesus in Connecticut, New England, and around the world". The intention is to engage its members and partner with others to live sold-out lives for Him by seeking God, caring for one another, serving together and reaching out. The Church is supported primarily through the contributions of its members. These programs meet ministry needs locally, nationally, and internationally.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the Church have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America and, accordingly, recognizes revenues when earned and expenses when incurred and reflects all significant receivables, payables and other liabilities.

Basis of Presentation

The financial statements of the Church have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) which requires reporting of information regarding financial position and activities according to the following net asset classifications:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Church. These net assets may be used at the discretion of management and the Board of Elders.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Church. These net assets may be used at the discretion of management and the Board of Elders.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

WALNUT HILL COMMUNITY CHURCH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncement

In February 2016, The FASB established Topic 842 (ASC 842), Leases, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The Church adopted ASC 842 with a date of initial application of July 1, 2022, using the transition alternative method. Under this method, an entity initially applies ASC 842 to all leases existing at the effective date and recognizes a cumulative effect adjustment to the opening balance of net assets, if any, as of that date.

The cumulative effect to the Church's July 1, 2022 statement of financial position from the adoption of the new lease standard was as follows:

<u>Statement of Financial Position</u>	<u>Balance at June 30, 2022</u>	<u>Adjustments due to ASC 842</u>	<u>Balance at July 1, 2022</u>
<u>Assets:</u>			
Right of use asset, finance leases	\$ -	\$ 74,281	\$ 74,281
Property and equipment, net	13,755,817	(63,488)	13,692,329
<u>Liabilities:</u>			
Current portion of capital lease obligations	\$ 15,137	\$ (15,137)	\$ -
Short-term lease liability, finance leases	-	21,668	21,668
Capital lease obligations, net of current portion	67,956	(51,015)	16,941
Long-term lease liability, finance leases	-	57,076	57,076

ASC 842 did not have a significant impact on the Church's results of operations or cash flows.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Church considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Church maintains deposits in federally insured institutions which, at times, can be in excess of the federally insured limits. Management, however, believes the Church is not exposed to significant credit risk due to the high credit quality of the financial institutions in which these deposits were held.

See independent auditor's report

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledges Receivable

The Church does not record a receivable for intentions to contribute to fundraisers made by members. In accordance with Church policy, pledges by members are intentions to pay rather than obligations to pay.

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Fair Value

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. Accounting principals generally accepted in the United States of America establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs).

The Church does not hold any investments as of June 30, 2023 and 2022. Any investments donated during the years ended June 30, 2023 and 2022 were sold in active markets.

Property, Equipment, and Improvements

Acquisitions of property, equipment, and improvements in excess of \$2,000 are capitalized. Property, equipment, and improvements are recorded at cost if purchased or fair value if donated. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets which range from 5 to 40 years.

Contributions

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

WALNUT HILL COMMUNITY CHURCH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind Contributions

The Church recognized the following in-kind contributions for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Food donated by local supermarkets	\$ <u>705,800</u>	\$ <u>685,900</u>
	\$ <u>705,800</u>	\$ <u>685,900</u>

Food donated by local supermarkets totaled 367,582 pounds and 383,202 pounds during the years ended June 30, 2023 and 2022, respectively. The valuation of donated food received and donated food distributed is based on approximate average wholesale value of one pound of donated product at the national level of \$1.92 and \$1.79 for the years ended June 30, 2023 and 2022 respectively, as published by Feeding America, a non-profit organization audited by a national accounting firm. The food was used as part of a food pantry operated by the Church and is included in Church in Action expenses provided as part of the outreach and community engagement program.

There were no restricted in-kind contributions for the years ended June 30, 2023 and 2022.

Contributed Services

The Church receives a substantial amount of services donated by its members in carrying out the Church's ministry. Only contributed services that create or enhance non-financial assets or require specialized skills that would otherwise be purchased by the Church are recognized as revenue on the financial statements. There were no contributed services recognized for the years ended June 30, 2023 and 2022.

Advertising Costs

Advertising costs are expensed as incurred and were \$69,721 and \$73,500 for the years ended June 30, 2023 and 2022.

Presentation of Certain Taxes

The Church operates a cafeteria in which sales tax is collected from customers. Sales tax is remitted to applicable taxing authorities. The Church's accounting policy is to exclude sales tax from revenues and cost of sales.

Tax Exempt Status

The Church is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes is presented in these financial statements. The Church has processes in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Church has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

See independent auditor's report

WALNUT HILL COMMUNITY CHURCH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis.

<u>Expense</u>	<u>2023</u>	<u>2022</u>
Allocated based on time and effort:		
Salaries, benefits and related taxes	\$ 2,435,818	\$ 2,332,490

Certain Bethel Campus expenses are allocated based on estimated time spent; 93% to ministries and program, 7% to management and general:

Salaries, benefits and related taxes	614,035	580,403
Staff development and conferences	5,920	6,460
Communication, multimedia and advertising	14,481	12,968
Technology support	83,229	68,394
Office equipment rental expense	52,858	11,257
Printing and supplies expense	25,003	23,342

Certain Bethel Campus expenses are allocated based on estimated square footage occupied; 92% to ministries and program, 8% to management and general:

Campus occupancy costs	202,186	167,157
Campus repair and maintenance costs	248,366	181,641
Insurance expense	45,839	41,064
Depreciation expense	404,093	404,093

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Prior Year Summarized Financial Information

The financial statements include prior year summarized financial information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Church's audited financial statements as of the year ended June 30, 2022, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through February 5, 2024, the date the financial statements were available to be issued. Through that date, there were no material events that would require recognition or additional disclosure in the financial statements.

See independent auditor's report

WALNUT HILL COMMUNITY CHURCH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 3: AVAILABILITY AND LIQUIDITY

The following represents the Church's financial assets as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,778,767	\$ 2,915,826
Total financial assets	<u>2,778,767</u>	<u>2,915,826</u>
Less amounts not available to be used for general expenditures:	<u>1,876,920</u>	<u>2,517,306</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 901,847</u>	<u>\$ 398,520</u>

The Church's goal is generally to maintain liquid financial assets to meet one month of operating expenses. The Church prepares an annual budget which is presented to the congregation at an annual meeting. The budget is based on income projected to be received from the annual donations from the congregation. In addition, the Church has a \$500,000 line of credit available to meet cash flow needs.

Note 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,458,042	\$ 1,458,042
Buildings and improvements	19,227,163	19,073,245
Furniture, fixtures, and equipment	<u>2,484,805</u>	<u>2,585,355</u>
	23,170,010	23,116,642
Less: accumulated depreciation	<u>(9,912,832)</u>	<u>(9,360,825)</u>
	<u>\$ 13,257,178</u>	<u>\$ 13,755,817</u>

For the years ended June 30, 2023 and 2022 depreciation expense totaled \$710,332 and \$688,858, respectively.

Note 5: LINE OF CREDIT

The Church has a \$500,000 line of credit with the Savings Bank of Danbury. The interest rate on the line is variable based on Prime Rate plus 0.75% with a minimum interest rate of 4%. The interest rate as of June 30, 2023 and 2022 was 9.00% and 8.25%, respectively. The line expires March 2026. There was no amount outstanding on the line of credit as of June 30, 2023 and 2022.

See independent auditor's report

WALNUT HILL COMMUNITY CHURCH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 6: LEASES

The Church determines if an arrangement is a lease at inception of the contract. The right-of-use assets ("ROU") represent the Church's right to use the underlying assets for the lease term and the lease liabilities represent the obligation to make lease payments arising from leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term.

The Church estimates their incremental borrowing rate, derived from information available at the lease commencement date, in determining the present value of lease payments. The incremental borrowing rate for the Church's portfolio of leases uses the risk free rate as published by the U.S. Treasury that approximates the lease term.

The Church has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. The Church has also elected the practical expedient package to not reassess at adoption expired or existing contracts for whether they are or contain a lease, the lease classification of any existing leases, or initial indirect costs for existing leases.

The Church leases office equipment under a finance lease. The useful life of asset is limited by the expected lease term.

The components of lease expense for the year ending June 30, 2023 were as follows:

Finance lease expense	<u>2023</u>
Amortization of ROU assets	\$ 21,274
Interest on lease liabilities	2,062
<u>TOTAL</u>	<u>\$ 23,336</u>

Cash flows and other information related to leases for the year ending June 30, 2023 are as follows:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from finance leases	\$ 1,919
Financing cash flows from finance leases	21,759
ROU assets obtained in exchange for new lease liabilities	
Finance leases	\$ 80,522

The weighted-average lease terms and discount rates are as follows for the year ending June 30, 2023:

Weighted-average remaining lease term in years:	<u>2023</u>
Finance leases	2.75
Weighted-average discount rate:	
Finance leases	3.01%

See independent auditor's report

WALNUT HILL COMMUNITY CHURCH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 6: LEASES (continued)

Future maturities of lease liabilities at June 30, 2023 are as follows:

	<u>Finance Leases</u>
2024	\$ 23,198
2025	20,798
2026	<u>17,333</u>
Total undiscounted cash flows	61,329
Less: present value discount	<u>(2,422)</u>
Total lease liabilities	<u>\$ 58,907</u>

The Church leases office equipment under various operating leases which are being operated under a month to month agreement. Expenses incurred for all operating leases for the years ended June 30, 2023 and 2022 were \$564 and \$246, respectively.

Note 7: LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<u>Small Business Energy Advantage Program</u>		
Energy efficiency improvements made to three locations financed at 0% by utility companies, after incentive offset:		
Bethel financed \$52,873 over 45 months requiring monthly payments of \$1,175 . Matured in 2023.	\$ -	\$ 2,350
Derby financed \$17,903 over 40 months requiring monthly payments of \$448. Matured in 2023.	-	448
New Milford financed \$16,079 over 40 months requiring monthly payments of \$342. Matured in 2023.	-	342
Total	<u>-</u>	<u>3,140</u>
Less: current portion	<u>-</u>	<u>(3,140)</u>
Long-term portion	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report



WALNUT HILL COMMUNITY CHURCH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 8: NET ASSETS

Net assets without donor restrictions for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ <u>14,062,721</u>	\$ <u>14,033,107</u>

Net assets with donor restrictions for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<u>To be released for specific purpose</u>		
Outreach and community engagement:		
Church in Action fund	\$ 641,461	\$ 702,912
Benevolence	73,047	81,398
Sandy Hook fund	-	5,965
Special needs fund	16,163	9,424
Total outreach and community engagement	<u>730,671</u>	<u>799,699</u>
Capital and development:		
Walnut Hill development fund	42,467	78,406
Ignite Legacy	1,056,460	1,588,742
Spiritual refreshment fund	3,188	25,053
Total capital and development	<u>1,102,115</u>	<u>1,692,201</u>
Grants and other programs:		
Grants	35,233	11,091
Other	8,901	14,315
Total grants and other programs	<u>44,134</u>	<u>25,406</u>
	<u>\$ 1,876,920</u>	<u>\$ 2,517,306</u>

A summary of program activities is as follows:

*Ministries and program* - weekly services, including worship and Bible study, small groups, discipleship, prayer, biblical counseling, and other church activities.

*Outreach and community engagement* - outreach and missions activities designed to reach out not only to the local community but throughout New England and around the world.

*Capital and development* - designated to enable church ministry to grow and expand through technology, campus improvement as well as additional support to strengthen, equip and encourage churches throughout New England.

*Grants and other* - designed to meet specific needs both locally and regionally.

See independent auditor's report

WALNUT HILL COMMUNITY CHURCH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 9: RENTAL INCOME, NET

The Church owns three buildings near the Bethel Campus. The homes are rented under one year or less terms. One home is rented to an employee of the Church.

Net rental income is made up of the following at June 30, 2023 and 2022:

			2023	2022
	Revenue	Expense	Net	Net
Employee rentals	\$ 31,693	\$ 19,245	\$ 12,448	\$ 3,289
Other building rentals	14,400	6,081	8,319	5,773
Other space rentals	27,320	10,983	16,337	1,584
	<u>\$ 73,413</u>	<u>\$ 36,309</u>	<u>\$ 37,104</u>	<u>\$ 10,646</u>

Note 10: MISCELLANEOUS INCOME, NET

Miscellaneous income is reported net of expenses and includes the following at June 30, 2023 and 2022:

			2023	2022
	Revenue	Expense	Net	Net
Café and book cart operations	\$ 10,130	\$ 10,711	\$ (581)	\$ (3,062)
Non-mission retreats and trips	221,188	228,721	(7,533)	4,759
Other ministry income	28,339	26,417	1,922	2,403
	<u>\$ 259,657</u>	<u>\$ 265,849</u>	<u>\$ (6,192)</u>	<u>\$ 4,100</u>

Note 11: RELATED PARTY TRANSACTIONS

The following related party transactions were noted between the Church and companies where board members have an ownership interest:

	<u>2023</u>	<u>2022</u>
Painting services	\$ -	\$ 9,370

In addition some Board members also have a relative employed by the Church.

Employees of the Church periodically rent homes from the Church, see Note 9.

In April 2022 a committee member of the Church in Action Fund became a board member of an organization supported by the Church. The Church paid \$26,004 to the organization for the year ended June 30, 2023 and \$501 from April 2022 to June 2022. The committee member was not involved in any financial decisions on behalf of the Church pertaining to that organization.

Note 12: DEFINED CONTRIBUTION PLAN

The Church offers employees the ability to contribute a percentage of their compensation to a 403(b) Plan. The amount contributed by employees may not exceed the annual limit set by the Internal Revenue Code.

See independent auditor's report