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Impact of SFAS No. 116 & 117 on Religious Organizations: The New Financial Reporting Requirements

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IMPACT OF SFAS NO. 116 & 117 ON RELIGIOUS ORGANIZATIONS:

THE NEW FINANCIAL REPORTING REQUIREMENTS

by

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INTRODUCTION

The Financial Accounting Standards Board (FASB) has issued two innovative standards applicable to not-for-profit organizations (NPOs). Statement of Financial Accounting Standards (SFAS) No. 116 sets forth the standards related to the proper accounting for contributions made and contributions received. SFAS No. 117 prescribes the standards related to the proper presentation of financial statements. Both of these new pronouncements were issued in 1993 and each substantially affects the way NPOs must present their financial statements to be in accordance with generally accepted accounting principles (GAAP). This starred paper focuses on the presentation required by religious organizations, although the information provided here is applicable to other NPOs.

Importance of Financial Reporting to Religious Organizations

Current law does not require the production of financial statements for religious organizations, but these organizations may find it necessary or beneficial to provide financial statements for three reasons. The articles of incorporation may require the production of financial statements. The organization can show supporters that it has used the contributed resources appropriately by providing them with financial statements. When the organization wishes to borrow funds, it may find that lending institutions require financial statements that have been prepared in accordance with GAAP. According to Henry Woods of Henry A. Woods, Ltd. (an accounting firm specializing in the auditing of religious organizations), all five of the securities brokers that specialize in bond issuances for NPOs that he has regular contact with require GAAP financial statements. Henry Woods also conveyed that these financial statements are normally required to be reviewed or audited on a continuing basis due to debt covenants inherent in the lending agreements.

Effective Dates for SFAS No. 116 & 117

The new standards prescribed in SFAS No. 116 & 117 are effective for fiscal years beginning after December 15, 1994, with an optional one year delay for small organizations. To elect the one year delay for fiscal years beginning after December 15, 1995, an organization must have assets under $5 million and expenses under $1 million. Because the new statements provide valuable information, the FASB has encouraged the early adoption of these new standards when considered practicable (SFAS No. 116.169 & 117.150). These two pronouncements require that, if the organization prepares financial statements in accordance with GAAP, it must provide a minimum of three financial statements: a Statement of Financial Position, a Statement of Activities, a Statement of Cash Flows, and certain disclosures.

STATEMENT OF FINANCIAL POSITION

The statement of financial position is similar to the balance sheet produced by for-profit organizations. Its purpose is to provide relevant information regarding an entity's assets, liabilities, and net assets on a specific date. This statement, when used in conjunction with other financial statements and disclosures, "helps donors, creditors, and others to assess

(a) the organization's ability to continue to provide services, and (b) the organization's liquidity, financial flexibility, ability to meet obligations, and needs for external financing" (SFAS No. 117.9)

The statement of financial position required by SFAS No. 117 provides information regarding three classes of net assets: permanently restricted, temporarily restricted, and unrestricted. The presence and nature of donor-imposed restrictions made at the time of the contribution differentiate these classes of net assets. The gross amounts for these various classes will change from period to period based upon the revenues, expenses, gains, losses, and reclassifications described in the statement of activities. Thus, net assets in a NPO are similar to equity in a for-profit organization where equity increases by the net income described in the income statement. However, equity in a for-profit organization is affected by other means such as dividends and stock issuances that have no counterpart in a NPO. Figure 1 exemplifies the requirements of SFAS No. 117.

<u>Permanently and Temporarily Restricted Net Assets</u>

Permanently restricted net assets are the part of total net assets that result from donor-imposed restrictions that cannot expire with the passage of time or through other actions performed by the organization. This distinguishes permanently restricted net assets from temporarily restricted net assets. The stipulations that exist at the time of contribution will determine whether the donation should be included in the permanently or temporarily restricted net asset section of the statement of financial position.

A Religious Organization
Statement of Financial Position
June 30, 1995, 1994, and 1993

Assets			
Current Assets	1995	1994	1993
Cash and Cash Equivalents	$391,074	$270,493	$261,559
Prepaid Insurance	4,840		
Lease Receivable	-	8,450	-
Contracts Receivable	1,500	1,500	1,500
Total Current Assets	397,414	280,443	263,059
Land, Buildings, and Equipment			
Land	505,050	505,050	505,050
Buildings and Improvements	3,475,742	3,475,742	3,355,667
Furniture and Equipment	147,034	132,270	116,211
Total	4,127,826	4,113,062	3,976,928
Less Accumulated Depreciation	478,100	316,485	170,612
Net	3,649,726	3,796,577	3,806,316
Other Assets			
Contracts Receivable	7,549	9,124	10,679
Construction in Progress	33,253	-	-
Finance Costs	225,824	243,887	261,950
Total Other Assets	266,626	253,011	272,629
Total Assets	$4,313,766	$4,330,031	$4,342,004
Liabilities and Net Assets			
Current Liabilities			
Current Portion of Long-Term Debt	$81,000	$118,000	$96,000
Construction Costs Payable	37,281	-	-
Accrued Interest Payable	36,211	37,275	38,091
Accounts Payable	33,561	6,373	11,598
Total Current Liabilities	188,053	161,648	145,689
Long-Term Liabilities			
Bonds and Notes Payable	1,918,000	2,107,333	2,224,000
Total Liabilities	2,106,053	2,268,981	2,369,689
Net Assets			
Permanently Restricted	-	-	-
Temporarily Restricted:			
Self-Funding	47,379	24,160	22,550
Missions	20,895	1,225	-
Building Project	83,742	7,411	116,590
Bond Trust Funds	100,874	95,994	90,859
	252,890	128,790	229,999
Unrestricted:			
Undesignated	1,954,823	1,932,260	1,742,316
Total Net Assets	2,207,713	2,061,050	1,972,315
Total Liabilities & Net Assets	$4,313,766	$4,330,031	$4,342,004

Figure 1. Statement of Financial Position

Unrestricted Net Assets

The absence of donor-imposed restrictions at the time of giving distinguish unrestricted net assets from the previous two classes. If the donation had no implicit or explicit stipulations at the time of giving, it would be considered unrestricted and would increase unrestricted net assets in the statement of financial position.

STATEMENT OF ACTIVITIES

The purpose of the statement of activities is similar to the income statement produced by for-profit organizations. Its purpose is to provide relevant information regarding the effects of transactions that change net assets, the relationships of those transactions, and how the entity obtained and used its resources in providing programs and services. This statement, when use in conjunction with other financial statements and disclosures, "helps donors, creditors, and others (1) evaluate the organization's performance during a period, (2) assess an organization's service efforts and its ability to continue to provide services, and (3) assess how an organization's managers have discharged their stewardship responsibilities and other aspects of their performance" (SFAS No. 117.17). The FASB has not prescribed a specific format for this statement, but it provides examples using a single statement approach (*statement of activities*) and a two statement approach (*statement of unrestricted revenues, expenses, and other changes in unrestricted net assets, and the statement of changes in net assets*). This paper will use the single statement approach.

The statement of activities required by SFAS No. 117 provides information regarding three classes of contributions (support): permanently restricted, temporarily restricted and unrestricted. Various donor-imposed restrictions at the time of contributing differentiate these classes of support. Noting the characteristics inherent in contributions can help differentiate them from other transactions. First, "contributions (a) are nonreciprocal transfers, (b) are transfers to or from entities acting other than owners, and (c) are made or received voluntarily" (SFAS No. 116.48). Analysis of these characteristics can distinguish contributions from exchange transactions where each party surrenders and receives property of essentially the same value and from conditional promises to give. Unconditional promises to give are recorded as revenues in the current period while conditional promises to give are not considered contributions until the donor-imposed conditions have been substantially met. Conditional promises to give are recorded as refundable advances provided that the assets have been transferred to the NPO, otherwise the conditional promise is not recorded. Further details regarding the identification and treatment of conditional promises to give are found in SFAS No. 116.22-23. The flowchart presented in Figure 2 guides the user through the three support classifications previously mentioned. Figure 3 presents a statement of activities that exemplifies the requirements of SFAS No. 117.

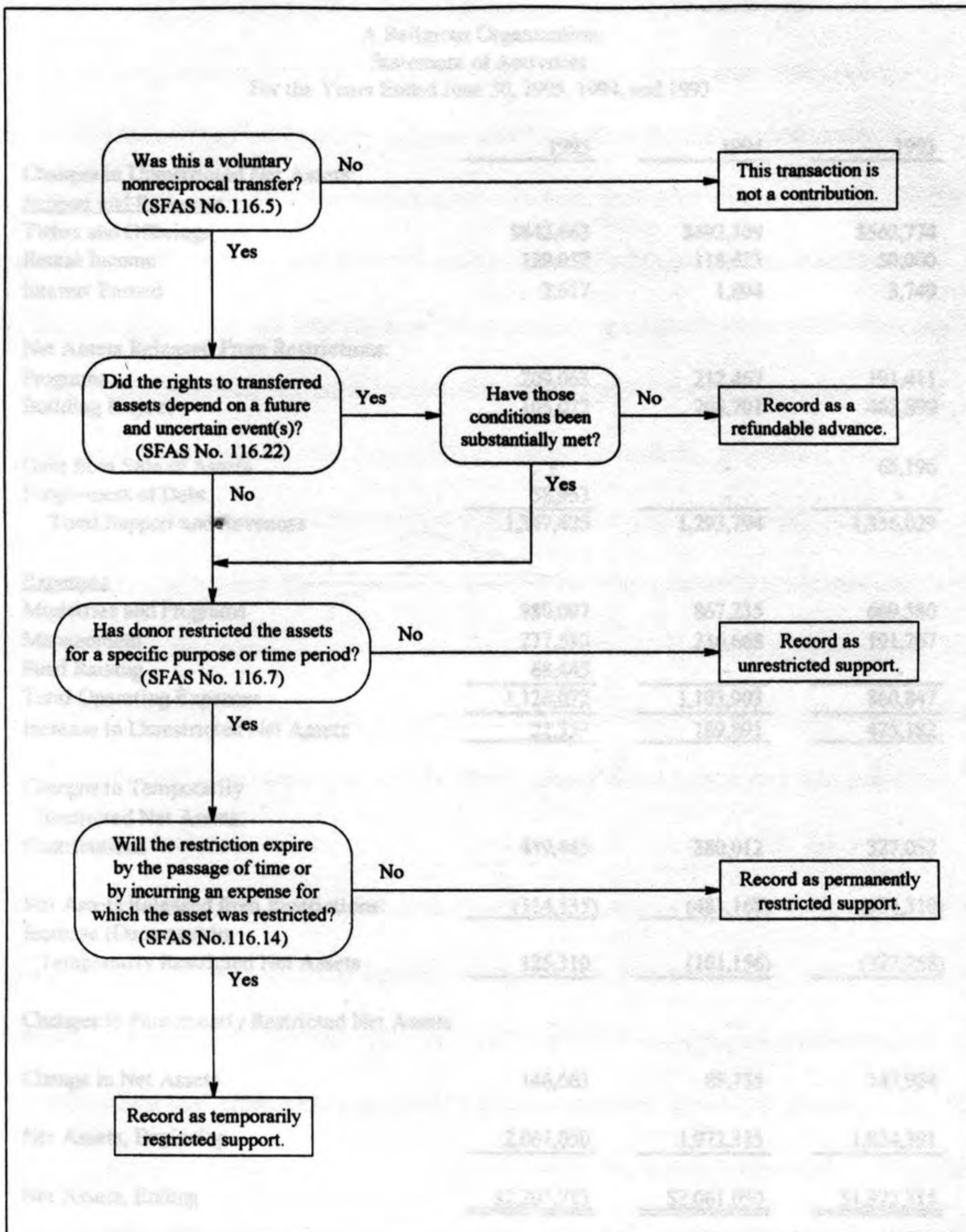

Figure 2. Contribution Classification Flowchart

A Religious Organization
Statement of Activities
For the Years Ended June 30, 1995, 1994, and 1993

	1995	1994	1993
Changes in Unrestricted Net Assets:			
Support and Revenues			
Tithes and Offerings	$842,663	$692,309	$562,774
Rental Income	129,057	118,423	50,000
Interest Earned	2,617	1,894	3,749
Net Assets Released From Restrictions:			
Programs	209,063	212,467	191,411
Building Project	105,072	268,701	462,899
Gain from Sale of Assets	-	-	65,196
Forgiveness of Debt	58,953	-	-
Total Support and Revenues	1,347,425	1,293,794	1,336,029
Expenses			
Ministries and Programs	980,097	867,235	669,580
Management	277,530	236,668	191,267
Fund Raising	68,445	-	-
Total Operating Expenses	1,326,072	1,103,903	860,847
Increase in Unrestricted Net Assets	21,353	189,891	475,182
Changes in Temporarily Restricted Net Assets:			
Contributions	439,445	380,012	327,052
Net Assets Released from Restrictions	(314,135)	(481,168)	(654,310)
Increase (Decrease) in Temporarily Restricted Net Assets	125,310	(101,156)	(327,258)
Changes in Permanently Restricted Net Assets	-	-	-
Change in Net Assets	146,663	88,735	147,924
Net Assets, Beginning	2,061,050	1,972,315	1,824,391
Net Assets, Ending	$2,207,713	$2,061,050	$1,972,315

Figure 3. Statement of Activities

Permanently and Temporarily Restricted Support

Permanently and temporarily restricted support classifications arise when donors impose implicit or explicit constraints upon their contribution. An implicit restriction would arise from a contribution received, for example, during an offering specifically held for raising funds for the construction of a new building, while an explicit contribution would arise from a normal offering in which a member specifically requested, either orally or in writing, that the contribution be used for the construction of a new building. The effects are the same whether the restriction is implicit or explicit. In general, the donor may restrict the contribution for a specific purpose or for a specific period. Assets restricted on a permanent basis must be accounted for as permanently restricted support. An endowment may state that its *corpus* must be perpetually invested, a permanent restriction, but allow its earnings to be used to support current activities. This differs from a temporarily restricted asset in which the donor places either a time or a purpose constraint on the asset.

The temporary restrictions imposed at the time of donation are used to determine when the restrictions will expire. Time restrictions will expire with the passage of time. For example, a contribution restricted for next year's activities and programs would have a time restriction that expires next year (when funds become available for current use). The purpose restriction expires when the funds are used for the stated purpose. A ministry's members may give an offering earmarked for its food shelf. In this example, the restriction will expire when these funds are spent acquiring the food. Contributed assets with these characteristics are accounted for as temporarily restricted support.

Unrestricted Support

Often, contributions and other donated assets do not contain implicit or explicit restrictions. In this case, the donated assets may be used for current or future programs and activities. The unrestricted support classification consists of assets donated without any constraints. This holds true even if the organization itself earmarks the assets for a specific purpose because the restrictions for a permanent or temporary classification must be imposed by the donee.

FUNCTIONAL EXPENSES

SFAS No. 117 requires the disclosure of functional expenses for not-for-profit organizations. These disclosures provide information about expenses by major function (i.e., major programs or services) and are useful in assessing the relationship between an organization's accomplishments and its related expenses. This pronouncement neither prescribes nor proscribes a separate financial statement, although current specialized accounting principles and practices may require a separate statement for voluntary health and welfare organizations (VHWO). Except for those organizations, the implementation of the necessary disclosures within the statement of activities or the financial notes is adequate.

The statement of activities (Exhibit 3) provides the disclosure of expenses by functional classification as opposed to their natural classification (i.e., salaries and benefits, ministries and programs, etc.). Although FASB does not require the disclosure of expenses by natural classification for religious organizations not qualifying as VHWOs, it encourages their disclosure. Disclosure of expenses by natural classification can help the users of the financial statements assess the organization's ability to continue to provide services and the costs associated with providing these services. Voluntary health and welfare organizations are required to continue to provide a separate statement that reports expenses by their functional and natural classification using a matrix format. Exhibit 4 presents such a statement.

The Evangelical Joint Accounting Committee, a nondenominational organization created to enhance the quality of financial reporting by religious organizations, also encourages the disclosure of functional expenses as a footnote or a separate schedule. Figure 4 shows a hybrid of the required and encouraged disclosures as a separate financial statement. This statement, using a matrix format, conveys relevant information that neither disclosure can provide alone.

STATEMENT OF CASH FLOWS

The statement of cash flows provides useful information for both NPOs and for-profit organizations. SFAS No. 95 did not require NPOs to provide this statement, but SFAS No. 117 now requires the production of this statement for NPOs choosing to prepare financial statements in accordance with GAAP. The statement of cash flows provides relevant information regarding the cash receipts and cash payments of an entity for a specific period. When used with other financial statements and disclosures, this statement helps "investors, creditors, and others to (a) assess the enterprise's ability to generate positive future net cash flows; (b) assess the enterprise's ability to meet its obligations, . . .

A Religious Organization
Schedule of Expenses by Functional and Natural Classifications
For the Years Ended June 30, 1995, 1994, and 1993

Fiscal Years Ended:	Ministries and Expenses	Management	Fund Raising	Totals
June 30, 1995				
Salaries & Benefits	$305,165	$76,291	-	$381,456
Programs	298,085	-	-	298,085
Missions	49,025	-	-	49,025
General & Administrative	-	115,481	-	115,481
Other	-	3,802	68,445	72,247
Amortization & Depreciation	143,742	35,936	-	179,678
Interest Expense	184,080	46,020	-	230,100
Totals	$980,097	$277,530	$68,445	$1,326,072
June 30, 1994				
Salaries & Benefits	$242,417	$60,604	-	$303,021
Programs	256,682	-	-	256,682
Missions	44,584	-	-	44,584
General & Administrative	-	91,986	-	91,986
Other	-	3,190	-	3,190
Amortization & Depreciation	131,149	32,787	-	163,936
Interest Expense	192,403	48,101	-	240,504
Totals	$867,235	$236,668	-	$1,103,903
June 30, 1993				
Salaries & Benefits	$173,658	$43,414	-	$217,072
Programs	210,164	-	-	210,164
Missions	55,021	-	-	55,021
General & Administrative	-	75,469	-	75,469
Other	-	14,700	-	14,700
Amortization & Depreciation	93,909	23,477	-	117,386
Interest Expense	136,828	34,207	-	171,035
Totals	$669,580	$191,267	-	$860,847

Figure 4. Schedule of Expenses by Functional and Natural Classification

and its needs for external financing; (c) assess the reasons for differences between net income [changes in net assets] and associated cash receipts and payments; and (d) assess the enterprise's financial position of both its cash and noncash investing and financing transactions during the period" (SFAS No. 95.5).

To apply SFAS No. 95 to NPOs, FASB has amended this pronouncement through SFAS No. 117. The statement of cash flows for a NPO is similar to that of a for-profit entity with minor differences. First, when interpreting SFAS No. 95, it is useful to recognize that *enterprise* now encompasses NPOs and *net income* and *income statement* are similar to *changes in net assets* and *statement of activities* for NPOs. The other difference to note is that the cash flows from financing activities section of the statement contains contributions restricted for purposes related to plant, property, equipment, and other long-lived assets.

The statement of cash flows is divided into cash flows from operating activities, investing activities, and financing activities. The *operating activities* section contains the cash inflows and outflows that are not defined as either investing or financing activities by SFAS 95. Typical inflows found in this section include cash receipts from sales of goods or services and cash from returns on loans and other debt instruments. Common cash outflows include cash payments to employees and suppliers. The *investing activities* section contains the cash inflows and outflows related to the acquisition or disposition of debt investments and property, plant, and equipment. Common inflows are the proceeds from loans or the sale of property, plant, and equipment while typical outflows are the repayment of loans and the purchase of property, plant, and equipment. The *financing activities* section contains the cash inflows and outflows related to borrowing money and the repayment of these borrowings. Inflows found in this section are the proceeds from the issuance of bonds, mortgages, and other debt. Financing outflows include the repayment of borrowings and other debt. An example of a Statement of Cash Flows is provided in Figure 5.

A Religious Organization
Statement of Cash Flows
For the Years Ended June 30, 1995, 1994, and 1993

Cash Flows from Operating Activities	1995	1994	1993
Changes in Net Assets	$146,663	$88,735	$147,924
Add Items Not Requiring the Use of Cash:			
Amortization	18,063	18,063	9,000
Depreciation	161,615	145,872	108,386
Gain on Sale of Land and Building	-	-	(65,196)
Forgiveness of Debt	(58,953)	-	-
Other Changes:			
Prepaid Expenses	(4,840)	-	-
Lease Receivable	8,450	(8,450)	-
Accrued Interest Payable	(1,064)	(816)	5,591
Accounts Payable	27,188	(5,225)	-
Cash Flow From Operating Activities	297,122	238,179	205,705
Cash Flows from Investing Activities			
Proceeds from the Sale of Assets	-	-	107,347
Contract Receivable	1,575	1,555	1,400
Finance Costs	-	-	(90,470)
Construction in Progress	(33,253)	-	(580,781)
Construction Costs Payable	37,281	-	(402,256)
Capital Expenditures	(14,764)	(136,133)	(34,684)
Cash Flow from Financing Activities	(9,161)	(134,578)	(999,444)
Cash Flows from Financing Activities			
Increase in Debt	-	-	200,000
Issuance of First Mortgage Bonds	-	-	365,000
Decrease in Debt	(167,380)	(94,667)	(136,000)
Cash Flows from Financing Activities	(167,380)	(94,667)	429,000
Net Increase (Decrease) in Cash	120,581	8,934	(364,739)
Cash and Equivalents, Beginning	270,493	261,559	626,298
Cash and Equivalents, Ending	$391,074	$270,493	$261,559

Figure 5. Statement of Cash Flows

DISCLOSURES

SFAS No. 116 requires NPOs to disclose information related to contributed services, expiration of restrictions, and promises to give. Contributions of donated services are to be recognized as revenues if they "(a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Services requiring specialized skills are provided by accountants, architects, carpenters, doctors, ... and other professionals and craftsmen" (SFAS No. 116.9). NPOs that have received contributed services are required to disclose the programs or activities the services were used in, the nature and extent of the services, and the amount recognized as revenue. Entities that have received contributed services that do not qualify for revenue recognition are encouraged to disclose the fair market value of the contributed services.

Expirations of temporary restrictions generally occur when the donated resources are used for the purpose specified by the donor or when the specified time period has elapsed. The exception to this rule occurs when long-lived assets are donated. Time restrictions on those assets will expire over the life of the assets while restrictions on cash used to acquire long-lived assets expire when the assets are place into service (SFAS 116.7).

Promises to give can be classified as unconditional or conditional and require the NPO to disclose certain information. Unconditional promises to give require the disclosure of the amounts receivable in one year, one to five years, more than five years, and the allowance for uncollectible promises receivable. Conditional promises to give require disclosure of the total amounts promised and a description and amount for each group of promises having similar characteristics. For example, distinguishing characteristics could be conditions related to the creation of a new program or the completion of a new building (SFAS No. 116.24).

ANALYSIS

The purpose of the SFAS No. 117 is to increase the relevance, usefulness, and comparability of general purpose financial statements for NPOs. It defines a complete set of financial statements as a statement of financial position, a statement of activities, a statement of cash flows, and required disclosures. It focuses on providing comprehensive financial information that is understandable and useful for decision making purposes. The users of these statements will find them beneficial in assessing the financial condition of a NPO. The following two paragraphs illustrate the benefits of the statement of financial position and statement of activities to a potential creditor. The statement of cash flows was not included because it is not materially different from the statement provided by for-profit organizations.

Major Changes in the Statement of Financial Position

Prior to the enactment of SFAS No. 117, the statement of financial position was typically titled, *balance sheet*. The balance sheet's equity section generally used the term *fund balance* which was the gross amount of equity for the NPO. Thus, there was no requirement to for a NPO to disaggregate the gross fund balance into sub-categories that provide the user with additional information.

The enactment of SFAS No. 117 change the title of the balance sheet to the *statement of financial position* and required the equity section to be disaggregated into amounts reflecting donor-imposed restrictions. The title for this section is now *net assets* and it contains three primary categories of net assets: permanently restricted, temporarily restricted, and unrestricted. These three groupings provide the user with information additional information useful for decision making purposes.

The statement of financial position allows the creditor to identify the amounts of net assets by their restrictions. Net assets that have been permanently restricted will not be available for repayment of the creditor. Temporarily restricted net assets can signal the creditor to probe into the nature of the restrictions because these net assets may or may not be available for use in repayment.

Major Changes in the Statement of Activities

Prior to the enactment of SFAS No. 117, the statement of activities was often titled the *statement of support, revenues, and expenses* or the *income statement*. The income statement had three parts: revenues, expenses, and other revenues and expenses. The revenues and expenses sections generally contained the NPOs operating revenues and expenses while the other revenues and expenses section contained nonoperating revenues and expenses such as gains on the sale of assets and forgiveness of debt. The expenses contained in these sections were presented according to their natural classification.

The enactment of SFAS No. 117 changed the title of the income statement to the *statement of activities*. The statement of activities lists the NPOs revenues according to which category of net assets they increase pursuant to SFAS No. 116. It also requires that expenses be disclosed according to their functional classification. Although this is not required on the face of the statement of activities, the disclosure of this information on the face of the statement can highlight the organizations efforts more effectively than the presentation of the natural classifications on the face of the statement. Thus, more useful information is provided to the user with less effort placed on the user.

The statement of activities provides the creditor with relevant information regarding the sources of a NPO's support and its related expenses. The creditor may find the NPO has a high proportion of its contributions restricted for specific purposes. This could signal that the entity may not have the ability to repay the creditor from its unrestricted contributions and support after expenses have been taken into account. This statement also lists gross expenses by functional category that can give the creditor an insight as to management's efficiency and stewardship. For example, management may be taking excessively high salaries or spending an unreasonable amount on fund raising.

SUMMARY

This starred paper has presented the requirements set forth in SFAS No. 116 & 117. It has shown examples of the new financial statements required by SFAS No. 117. It has differentiated among the three classes of *net assets* and shown how these classes of net assets are created. This paper has also presented the three classes of *support* required by SFAS No. 116, and has defined and provided examples of these classes of support and their relationship to net assets. When practicable, it has compared the typical for-profit financial statements to the typical NPO statements required by FASB. For ease of comparison to the statements provided within the body of this paper, Appendix A contains examples of the typical financial statements required before SFAS No. 117. Also, readers are encouraged to read SFAS No. 116 & 117 for additional detailed information.

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APPENDICES

APPENDIX A

Examples of Prior Financial Statement Formats

This appendix provides examples of typical formats and terminology used for financial reporting purposes before the issuance of SFAS No. 116 and 117. The statement of activities has replaced the statement of support, revenues, and expenses (Exhibit 7) and the statement of financial position has superseded the balance sheet (Exhibit 6). The statement of cash flows (Exhibit 8) is not significantly different from the cash flow statement required by SFAS No. 117, but it is worth noting some of the changes in terminology.

Exhibit 6

A Religious Organization
Balance Sheet
June 30, 1995, 1994, and 1993

	1995	1994	1993
Assets			
Current Assets			
Cash - Unrestricted	$177,610	$141,347	$29,880
- Designated	213,464	129,146	231,679
Totals	391,074	270,493	261,559
Prepaid Insurance	4,840	-	-
Lease Receivable	-	8,450	-
Contracts Receivable	1,500	1,500	1,500
Total Current Assets	397,414	280,443	263,059
Land, Buildings, and Equipment			
Land	505,050	505,050	505,050
Buildings and Improvements	3,475,742	3,475,742	3,355,667
Furniture and Equipment	147,034	132,270	116,211
Total	4,127,826	4,113,062	3,976,928
Less Accumulated Depreciation	478,100	316,485	170,612
Net	3,649,726	3,796,577	3,806,316
Other Assets			
Contracts Receivable	7,549	9,124	10,679
Construction in Progress	33,253	-	-
Finance Costs	225,824	243,887	261,950
Total Other Assets	266,626	253,011	272,629
Total Assets	$4,313,766	$4,330,031	$4,342,004
Liabilities and Fund Balance			
Current Liabilities			
Current Portion of Long-Term	$81,000	$118,000	$96,000
Construction Costs Payable	37,281	-	-
Accrued Interest Payable	36,211	37,275	38,091
Accounts Payable	33,561	6,373	11,598
Total Current Liabilities	188,053	161,648	145,689
Long-Term Liabilities			
Mortgage and Notes Payable	1,918,000	2,107,333	2,224,000
Total Liabilities	2,106,053	2,268,981	2,369,689
Fund Balance			
Fund Balance	2,207,713	2,061,050	1,972,315
Total Liabilities & Fund Balance	$4,313,766	$4,330,031	$4,342,004

Exhibit 7

A Religious Organization
Statement of Support, Revenues, and Expenses
For the Years Ended June 30, 1995, 1994, and 1993

	1995	1994	1993
Support and Revenues			
Tithes and Offerings	$842,663	$692,309	$562,774
Building Fund	186,283	164,607	117,326
Designated Income	251,865	215,405	209,726
Rental Income	129,057	118,423	50,000
Interest Earned	2,617	1,894	3,749
Total Support and Revenues	1,412,485	1,192,638	943,575
Expenses			
Salaries and Benefits	381,456	303,021	217,072
Ministries and Programs	298,085	256,682	210,164
General and Administrative	115,481	91,986	75,469
Missions	49,025	44,584	55,021
Building Lease	-	3,190	14,700
Total Operating Expenses	844,047	699,463	572,426
Excess Support and Revenues Before Other Expenses	568,438	493,175	371,149
Other (Income) Expenses			
Gain on Sale of Assets	-	-	(65,196)
Forgiveness of Debt	(58,953)	-	-
Expended Building Costs	2,505	-	-
Fund Raising Expenses	68,445	-	-
Interest Expense	230,100	240,504	171,035
Depreciation and Amortization	179,678	163,936	117,386
Total Other (Income) Expense	421,775	404,440	223,225
Excess Support and Revenues Over Expenses	146,663	88,735	147,924
Fund Balance, Beginning	2,061,050	1,972,315	1,824,391
Fund Balance, Ending	$2,207,713	$2,061,050	$1,972,315

Exhibit 8

A Religious Organization
Statement of Cash Flows
For the Years Ended June 30, 1995, 1994, and 1993

Cash Flows from Operating Activities	1995	1994	1993
Excess Support and Revenues or (Expenses)	$146,663	$88,735	$147,924
Add Items Not Requiring the Use of Cash:			
Amortization	18,063	18,063	9,000
Depreciation	161,615	145,872	108,386
Gain on Sale of Land and Building	-	-	(65,196)
Forgiveness of Debt	(58,953)	-	-
Other Changes:			
Prepaid Expenses	(4,840)	-	-
Lease Receivable	8,450	(8,450)	-
Accrued Interest Payable	(1,064)	(816)	5,591
Accounts Payable	27,188	(5,225)	-
Cash Flow From Operating Activities	297,122	238,179	205,705
Cash Flows from Investing Activities			
Proceeds from the Sale of Assets	-	-	107,347
Contract Receivable	1,575	1,555	1,400
Finance Costs	-	-	(90,470)
Construction in Progress	(33,253)	-	(580,781)
Construction Costs Payable	37,281	-	(402,256)
Capital Expenditures	(14,764)	(136,133)	(34,684)
Cash Flow from Financing Activities	(9,161)	(134,578)	(999,444)
Cash Flows from Financing Activities			
Increase in Debt	-	-	200,000
Issuance of First Mortgage Bonds	-	-	365,000
Decrease in Debt	(167,380)	(94,667)	(136,000)
Cash Flows from Financing Activities	(167,380)	(94,667)	429,000
Net Increase (Decrease) in Cash	120,581	8,934	(364,739)
Cash and Equivalents, Beginning	270,493	261,559	626,298
Cash and Equivalents, Ending	$391,074	$270,493	$261,559

APPENDIX B

Glossary

(Definitions taken directly from SFAS No. 116 & 117)

Conditional promise to give A promise to give that depends on the occurrence of a specified future and uncertain event to bind the promisor.

Contribution An unconditional transfer of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner.

Donor-imposed condition A donor stipulation that specifies a future and uncertain event whose occurrence or failure to occur gives the promisor a right of return of the assets it has transferred or releases the promisor from its obligation to transfer the assets.

Donor-imposed restriction A donor stipulation that specifies a use for a contributed asset that is more specific than broad limits resulting from the nature of the organization, the environment in which it operates, and the purposes specified in its articles of incorporation or bylaws or comparable documents for an unincorporated association. A restriction on an organization's use of an asset contributed may be temporary or permanent.

Functional classification A method of grouping expenses according to the purpose for which the costs are incurred. The primary functional classifications are program services and supporting activities.

Permanent restriction A donor-imposed restriction that stipulates that resources be maintained permanently but permits the organization to use up or expend part or all of the income (or economic benefits) derived from the donated assets.

Permanently restricted net assets The part of net assets of a not-for-profit organization resulting (a) from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

Promise to give A written or oral agreement to contribute cash or other assets to another entity. A promise to give may be either conditional or unconditional.

Restricted support Donor-restricted revenues or gains from contributions that increase either temporarily restricted net assets or permanently restricted net assets.

Temporarily restricted net assets The part of net assets of a not-for-profit organization resulting (a) from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the organization pursuant to those stipulations.

Temporary restriction A donor-imposed restriction that permits the donee organization to use up or expend the donated assets as specified and is satisfied either by the passage of time or by actions of the organization.

Unconditional promise to give A promise to give that only depends on the passage of time or demand by the promisee for performance.

Unrestricted net assets The part of net assets of a not-for-profit organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Unrestricted support Revenues or gains from contributions that are not restricted by donors.

Voluntary health and welfare organization Organizations formed for the purpose of performing voluntary services for various segments of society. They are tax exempt (organized for the benefit of the public), supported by the public, and operated on a "not-for-profit" basis. Most voluntary health and welfare organizations concentrate their efforts and expend their resources in an attempt to solve health and welfare problems of our society and, in many cases, those of specific individuals. As a group, voluntary health and welfare organizations include those not-for-profit organizations that derive their revenue primarily from the general public to be used for general or specific purposes connected with health, welfare, or community services.