

**EPISCOPAL AREA  
SOUTH GEORGIA CONFERENCE OF  
THE UNITED METHODIST CHURCH  
INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

EPISCOPAL AREA  
SOUTH GEORGIA CONFERENCE OF THE UNITED METHODIST CHURCH

TABLE OF CONTENTS  
DECEMBER 31, 2017

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>1-2</b>
 <b>FINANCIAL STATEMENTS</b>	
 <u>Exhibit</u>	
A      Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis.....	3
A-1     Comparative Statement of Support and Revenue, Expenses and Changes in Net Assets – Modified Cash Basis .....	4
Notes to the Financial Statements .....	5-7

**INDEPENDENT AUDITOR'S REPORT**

Episcopal Area  
 South Georgia Conference of The  
 United Methodist Church  
 Macon, Georgia

Ladies and Gentlemen:

We have audited the accompanying financial statements of the Episcopal Area of the South Georgia Conference of The United Methodist Church (a nonprofit religious organization), which comprise the statement of assets, liabilities, and net assets-modified cash basis as of December 31, 2017, and the related statement of support and revenue, expense and changes in net assets-modified cash basis for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes 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 Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

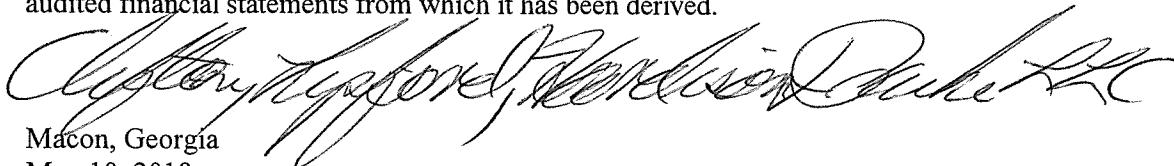
In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Episcopal Area of the South Georgia Conference of The United Methodist Church as of December 31, 2017, and its support, revenue, expenses and changes in net assets – modified cash basis for the year then ended, on the basis of accounting described in the Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, in conformity with the accounting practices permitted by the General Conference of The United Methodist Church, 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.

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

We have previously audited the Episcopal Area of the South Georgia Conference of The United Methodist Church's 2016 financial statements, and our report dated March 30, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Macon, Georgia  
May 10, 2018

## **FINANCIAL STATEMENTS**

EPISCOPAL AREA  
SOUTH GEORGIA CONFERENCE OF THE UNITED METHODIST CHURCH

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2017

ASSETS

Current Assets:

Cash and cash equivalents	\$ 160,827
Other receipts receivable	19,803
Prepaid expenses	<u>-</u>
Total Assets	<u><u>\$ 180,630</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Current Liabilities:

Obligations payable on current year's budget	<u>\$ 6,042</u>
Total Liabilities	<u>6,042</u>

Net Assets:

Unrestricted net assets:	
Designated by Board for office expenses	93,927
Designated by Board for residence expenses	<u>80,661</u>
Total Net Assets	<u>174,588</u>
Total Liabilities and Net Assets	<u><u>\$ 180,630</u></u>

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

EPISCOPAL AREA  
SOUTH GEORGIA CONFERENCE OF THE UNITED METHODIST CHURCH

COMPARATIVE STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

	GCFA Episcopal Funds	SGA Area Funds	2017 Total	2016 Total
<u>Support and Revenue:</u>				
GCFA & SGA support	\$ 104,560	\$ 125,021	\$ 229,581	\$ 213,355
Interest income	-	-	-	3
Miscellaneous income	-	1,295	1,295	-
Total Support and Revenue	104,560	126,316	230,876	213,358
<u>Office Expenses:</u>				
Salaries and benefits	60,572	66,520	127,092	119,757
Contracted and professional services	16,823	-	16,823	16,936
Miscellaneous	2,817	-	2,817	5,020
Occupancy related expenses	20,252	-	20,252	20,275
Office supplies	7,720	-	7,720	5,757
Telephone	5,972	-	5,972	5,524
Staff travel	3,960	2,443	6,403	4,230
Total Office Expense	118,116	68,963	187,079	177,499
<u>Residence Expenses:</u>				
Residence related cost	1,488	1,488	2,976	17,478
Utilities and other cost	5,136	4,814	9,950	10,338
Repairs and maintenance	5,812	5,812	11,624	38,218
Total Residence Expense	12,436	12,114	24,550	66,034
Total Expenses	130,552	81,077	211,629	243,533
Excess of Support and Revenue Over (Under) Expenses	(25,992)	45,239	19,247	(30,175)
Net Assets, Beginning of Year	127,626	27,715	155,341	185,516
Net Assets, End of Year	\$ 101,634	\$ 72,954	\$ 174,588	\$ 155,341

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

## **NOTES TO THE FINANCIAL STATEMENTS**



EPISCOPAL AREA  
SOUTH GEORGIA CONFERENCE OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The accompanying financial statements include the net assets, support and revenue, expenses and changes in net assets – modified cash basis of the Episcopal Area of the South Georgia Conference of The United Methodist Church (the “Conference”), an organization providing services at a level of administration beyond the individual local churches. The Episcopal Area is located in Macon, Georgia. The Bishop provides spiritual and administrative leadership for approximately 597 United Methodist local churches, grouped into six districts, located in the southern half of Georgia.

**Fund Accounting**

To ensure observance of limitations and restrictions placed on the use of resources available to the Episcopal Area, the accounts for the Office are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate equity (net asset) accounts are maintained for each fund; separate asset accounts are not maintained. This fund basis of presentation is not in conformity with generally accepted accounting principles.

The following is a listing of the funds maintained by the Office:

<u>Episcopal Funds</u>	<u>Area Funds</u>
South Georgia Office Expense	South Georgia Office Expense
South Georgia Residence Expense	South Georgia Residence Expense
 <u>Reserve Funds</u>	
Episcopal Office Reserve	
Episcopal Residence Reserve	

Restricted funds are those for which unexpended monies at the end of each annual accounting period are carried forward in an individual net asset account and in future periods may be expended only for the purposes for which the fund was established. Unrestricted funds are those for which unexpended monies at the end of each annual accounting period are transferred into a common, accumulated net asset account representing claims on assets (monies) which in future periods may be expended for any organizational purpose properly approved by the Conference or its designated representatives.

Control over resources related to the Episcopal Area is maintained by the fund accounting system, as described above. At the end of each calendar year, the excess or deficiency of support and revenue over expenses for each of the funds is closed into the Episcopal Area’s single, unrestricted, net assets account. The unrestricted net asset account is subdivided into a designated office account and a designated residence account.

EPISCOPAL AREA  
SOUTH GEORGIA CONFERENCE OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(CONTINUED)

**Modified Cash Basis of Accounting**

The accounts of the Episcopal Area are maintained on a modified basis of cash receipts and disbursements; consequently, most apportionments, contributions and related assets are recognized when received rather than when earned, and most expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

**Property and Equipment**

Under the modified cash basis of accounting, the Episcopal Area's cost of property and equipment acquisitions are recorded as operating expenditures at the time of purchase. Property and equipment acquisitions are recorded at cost, estimated cost, or if donated, at fair market value on the date of donation. It is the Episcopal Area's policy to capitalize assets costing \$500 or more.

Land, buildings and major items of equipment and furniture purchased by the Episcopal Area are not the responsibility of the Conference Council on Finance and Administration. Legal title to these assets is held by the Board of Trustees of the South Georgia Annual Conference of The United Methodist Church, Inc.

The Board of Trustees owns other residence buildings and land throughout the State of Georgia. The underlying mortgages and assets are the responsibility of the Board of Trustees and are not reflected in the accompanying financial statements.

EPISCOPAL AREA  
SOUTH GEORGIA CONFERENCE OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(CONTINUED)

**NOTE 2 – CAPITAL ASSETS**

The following is a summary of certain capital assets that were purchased by the Episcopal Area of the South Georgia Conference of The United Methodist Church and utilized in administration or program services. These assets are carried on the Board of Trustees' books as explained in Note 1. The Episcopal Area has compiled a capital asset listings as required by the General Council on Finance and Administration. These assets are stated at cost or management's estimate of cost as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Episcopal Office:				
Furniture and equipment	\$ 22,392	\$ -	\$ (1,792)	\$ 20,600
Episcopal Residence:				
Residence	494,019	-	-	494,019
Furniture and equipment	29,711	1,470	-	31,181
Land	63,500	-	-	63,500
Total	587,230	1,470	-	588,700
Total	\$ 609,622	\$ 1,470	\$ (1,792)	\$ 609,300

**NOTE 3 – LEASING ARRANGEMENT**

As of November 1, 2012, the Episcopal Area's offices entered into a lease agreement with Riverside United Methodist Church. The lease agreement is from November 1, 2012 to October 31, 2014; the term shall thereafter automatically be expended for one-year terms beginning on November 1, 2014, and shall continue from year to year thereafter. The rental agreement calls for the Episcopal office to pay \$1,650 per month in rental fees. Utilities and janitorial services are included in the monthly rent.

**NOTE 4 – EVALUATION OF SUBSEQUENT EVENTS**

The Episcopal Area's office has evaluated subsequent events through May 10, 2018, the date which the financial statements were available to be issued.