

INDEPENDENT CPA FINANCIAL STATEMENTS

REVOLUTION.TV,  
INC. d/b/a  
REVOLUTION  
CHURCH

FOR THE YEAR ENDED:  
DECEMBER 31, 2013 (REVIEWED)

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## REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees of  
Revolution.TV Inc. d/b/a Revolution Church  
Canton, GA

I have reviewed the accompanying statement of financial position of Revolution.TV Inc. d/b/a Revolution Church (a not-for-profit organization) as of December 31, 2013, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.



Dennison & Associates, CPA

April 15, 2014

# Revolution.TV, Inc. d/b/a Revolution Church

(a not-for-profit corporation)

## Statement of Financial Position

As of December 31, 2013

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### ASSETS

#### **CURRENT ASSETS**

Cash and cash equivalents	634,161
Certificate of deposit	30,000
Notes Receivable	34,000
Total Current Assets	<u>698,161</u>

#### **PROPERTY AND EQUIPMENT**

Land	823,229
Church buildings	5,145,175
Furniture & fixtures	422,093
Total property and equipment	6,390,497
Less: Accumulated depreciation	<u>(304,052)</u>
Total Property & Equipment	6,086,445

#### Other assets:

Deferred charges	279,808
Total other assets	<u>279,808</u>

#### **TOTAL ASSETS**

**7,064,414**

# Revolution.TV, Inc. d/b/a Revolution Church

(a not-for-profit corporation)

Statement of Financial Position

As of December 31, 2013

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<u>LIABILITIES AND NET ASSETS</u>	
<b>CURRENT LIABILITIES (Amounts due within one year)</b>	
Accounts payable	4,945
Credit card payable	17,619
Mortgage interest payable	52,772
Current portion of mortgage payable	247,250
Total current liabilities	322,586
<b>LONG-TERM LIABILITIES (Amounts due after one year)</b>	
Capital lease obligation	174,292
Mortgage payable	3,916,500
Total long-term liabilities	4,090,792
<b>TOTAL LIABILITIES</b>	4,413,377
<b>NET ASSETS</b>	
Unrestricted:	
Undesignated	2,651,037
Designated	-
Total Unrestricted	2,651,037
Temporarily Restricted	-
Total Net Assets	2,651,037
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>7,064,414</b>

# Revolution.TV, Inc. d/b/a Revolution Church

(a not-for-profit corporation)

Statement of Financial Activities

For the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Support			
Tithes & offerings	1,691,819	482,324	2,174,143
Net assets released from restrictions	482,324	(482,324)	-
Revenue			
Non-cash contributions	66,178	-	66,178
Interest Income	1,396	-	1,396
Total support and revenue	<u>2,241,718</u>	<u>-</u>	<u>2,241,718</u>
<b>EXPENSES</b>			
Program expenses			
Ministry	616,564	-	616,564
Missions	60,133	-	60,133
Total program expenses	<u>676,697</u>		<u>676,697</u>
Supporting services			
General and administrative	882,708	-	882,708
Total supporting services	<u>882,708</u>	<u>-</u>	<u>882,708</u>
Total expenses	<u>1,559,405</u>	<u>-</u>	<u>1,559,405</u>
<b>CHANGE IN NET ASSETS</b>	682,312	-	682,312
<b>UNRESTRICTED NET ASSETS - BEGINNING</b>	2,057,965	-	2,057,965
Prior Period Adjustment (Note 6)	(89,240)	-	(89,240)
<b>UNRESTRICTED NET ASSETS - END</b>	<u>2,651,037</u>	<u>-</u>	<u>2,651,037</u>

# Revolution.TV, Inc. d/b/a Revolution Church

(a not-for-profit organization)

## Statement of Cash Flows

For the Year Ended December 31, 2013

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### OPERATING ACTIVITIES

Change in net assets	682,312
Adjustments to reconcile net assets to net cash provided by operating activities:	
Depreciation & amortization	224,856
Prior Period Adjustment	(89,240)
(Increase) decrease in operating assets:	
Notes receivable	66,000
Increase (decrease) in operating liabilities:	
Accounts payable	(2,824)
Credit card payable	6,727
Bond interest payable	29,532
	<hr/>
Net cash provided by operating activities	917,363

### INVESTING ACTIVITIES

Investment in buildings	(550,165)
Purchase of certificate of deposit	(30,000)
Acquisition of furniture and equipment	(134,844)

Net cash flows from investing activities (715,009)

### FINANCING ACTIVITIES

Proceeds from long-term debt	25,500
Increase (decrease) in deferred charges	2,430
Cash paid towards capital lease obligation	50,182
Payments towards long-term debt	(112,750)

Net cash flows from financing activities (34,638)

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** 167,716

**CASH AND CASH EQUIVALENTS - BEGINNING** 466,446

**CASH AND CASH EQUIVALENTS - ENDING** 634,161

Cash paid for:

Interest expense 226,038

# Revolution.TV, Inc. d/b/a Revolution Church

(a not-for-profit corporation)

Statement of Functional Expenses

For the Year Ended December 31, 2013

	Program		General and Administrative	Total
	Ministry	Missions		
Advertising	32,844	-	5,386	38,230
Depreciation & amortization	-	-	224,856	224,856
Donations	-	52,810	-	52,810
Events	30,500	-	-	30,500
Food expense	3,972	-	3,361	7,333
Interest expense	-	-	264,833	264,833
Maintenance & repairs	-	-	42,340	42,340
Ministry expense	2,997	7,323	77,057	87,377
Misc. expense	-	-	23,663	23,663
Rent - building	-	-	5,500	5,500
Salaries & related benefits	398,734	-	147,520	546,253
Supplies	147,518	-	7,025	154,543
Training	-	-	815	815
Travel & entertainment	-	-	4,437	4,437
Utilities	-	-	75,915	75,915
<b>Total Expenses</b>	<b>616,564.14</b>	<b>60,133.34</b>	<b>882,708.00</b>	<b>1,559,405.48</b>



**REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH**  
Notes to the Financial Statements  
December 31, 2013

**NOTE 1 - NATURE OF ORGANIZATION:**

Revolution.TV, Inc., d/b/a Revolution (Church) is organized and incorporated in the State of Georgia and is part of Southern Baptist Convention of the State of Georgia. The purpose of the Church share the Gospel of Jesus Christ to the community of Canton, Georgia and the surrounding communities

The Church is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code (code). The Church is classified as a publicly supported organization rather than a private foundation under Section 509(a) of the code. Contributions to the Church are deductible for federal income tax purposes.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Basis of Reporting

Method of Accounting: the financial statements of the Church have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) and include all activities carried on in the name of the church. Revenues and expenses are recognized in the period earned or incurred.

Basis of Presentation

Financial Statement Presentation: The Church adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Church is required to report information regarding its financial position and activities according to the three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the church is required to present a statement of cash flows. As of the date of this report; the all net assets of the Church were unrestricted.

- Unrestricted net assets – are not subject to donor-imposed restrictions and may be designated for specific purposes by action of the Board of Directors.
- Temporarily restricted net assets – are subject to temporary donor-imposed restrictions and may be fulfilled by actions of the Church to meet the donor-imposed stipulations or that become unrestricted by the passage of time.
- Permanently restricted net assets – are subject to permanent donor-imposed stipulations.

Cash & Cash Equivalents

Cash and Cash Equivalents include all monies in banks, time deposits and all highly liquid debt instruments with original maturities of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH**  
Notes to the Financial Statements  
December 31, 2013

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

Contributions and Expenses

Contributions received are measured at their fair values and are reported as an increase in net assets. The Church reports gifts of cash as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions are met in the same reporting period are reported as unrestricted support.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Donated Services

A substantial number of volunteers have donated their time to the Church for various Administrative and Operating services during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

Property and Equipment

The Church follows the practice of capitalizing all expenditures for property, furniture, fixtures, equipment and leasehold improvements in excess of \$500. In accordance with GAAP, land is not depreciated and Construction-in-Progress is depreciated when it is completed and placed into service. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets which generally are as follows:

Buildings & improvements	15 – 39 years
Furniture and equipment	5 – 7 years
Software	5 years
Vehicles	5 years
Leasehold improvements	life of lease or useful life (whichever is shorter)

Income Taxes

The Church is exempt from federal income and state taxes under Section 501 (c) (3) of the Internal Revenue Code and similar state statute and has not conducted unrelated business activities. Therefore, the Church has made no provision for federal or state income taxes in the accompanying financial statements.

Advertising Expenses

The Church expenses advertising costs as they are incurred which amounted to a total of \$38,230 for the year ended December 31, 2013.

**REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH**  
Notes to the Financial Statements  
December 31, 2013

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

Intentions to Give

In 2010, the Church launched an expansion fundraising campaign. In connection with this campaign, the Church asked its members to submit a commitment or pledge card indicating their intent to give to the expansion campaign. The pledge, however, is a non-binding commitment that is simply a statement of intent on the part of the pledge-maker and may be altered as circumstances warrant. Likewise, the Church's governing Board has the discretion in designating the donations to the expansion or to other operating needs. Since these pledges do not meet the criteria for GAAP's revenue recognition as characterized in a promise to give, the intentions to give are only recognized when the commitments or pledges are actually collected.

**3. LONG-TERM LIABILITIES:**

Long-term liabilities consist of the following amounts as of December 31, 2013:

The Church executed a First Mortgage Serial Bond – Series I program with an active date of November 20, 2011 in the original amount of \$1,900,000. The bonds consist of \$1,553,000 of simple interest bonds and \$347,000 of compound interest bonds. Goldstar Trust Co. is the trustee, paying agent, registrar and escrow agent. Interest rates on the bonds range from 5.00% to 8.00% with interest paid on the simple interest bonds semi-annually on May 20 and November 20 and interest will be compounded on the bonds from the issue date with maturity dates ranging from May 20, 2012 to November 25, 2026. The bonds are issued in two series - Series I & Series II (discussed in next note) are a first lien securitization of the subject property secured by the bond issue. The bonds will be issued as fully registered bonds as book entry only (no bond certificates will be issued) with the unit offering price of the bonds set at par with a minimum offering price of \$250 or any multiple of \$250, thereafter. See subsequent events for additional details on the retirement of this liability.

\$1,763,750

# REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH

## Notes to the Financial Statements

December 31, 2013

### 3. LONG-TERM LIABILITIES: (continued)

The Church executed a First Mortgage Serial Bond – Series II program with an active date of December 20, 2011 in the original amount of \$2,400,000. The bonds consist of \$219,750 of simple interest bonds and \$2,180,250 of compound interest bonds. Goldstar Trust Co. is the trustee, paying agent, registrar and escrow agent. Interest rates on the bonds range from 5.25% to 7.25 % with interest paid on the simple interest bonds semi-annually beginning June 20, 2014 and December 20, 2014 and interest will be compounded on the bonds from the issue date with maturity dates ranging from June 20, 2014 to December 20, 2041. The bonds are issued in two series - Series I & Series II (discusses in previous note) are a first lien securitization of the subject property secured by the bond issue. The bonds will be issued as fully registered bonds as book entry only (no bond certificates will be issued) with the unit offering price of the bonds set at par with a minimum offering price of \$250 or any multiple of \$250, thereafter.

\$2,400,000

Less current portion of debt

\$ 247,250

Debt-net of current portion

\$3,916,500

Debt matures as follows:

#### Years ending December 31,

2015	\$ 246,750
2016	263,250
2017	235,250
2018	226,250
2019	<u>250,250</u>
Thereafter	<u>2,694,750</u>

Interest Expense on all debt during the year ended December 31, 2013 was \$288,073.

#### NOTE 4 - DEFERRED CHARGES:

Deferred charges primarily consist of costs (broker fees, consulting fees, professional fees, etc.) incurred in connection with the First Mortgage Bond debt described in note 3. As of December 31, 2013; deferred charges totaled \$279,808 after amortization expense of \$11,430.

## REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH

### Notes to the Financial Statements

December 31, 2013

#### NOTE 5 - NOTES RECEIVABLE:

The church was given a 1967 Ford Shelby Cobra antique automobile during 2011 and was subsequently sold for \$104,000. As of December 31, 2013; \$70,000 had been received resulting in a net outstanding note receivable amount of \$34,000.

#### NOTE 6 – PRIOR PERIOD ADJUSTMENT:

A prior period adjustment was entered as a reduction to unrestricted net assets in the amount of \$89,241. This adjustment was necessary since accrued interest on long-term debt was not entered for the year ending December 31, 2012. Additionally; notes receivable was overstated by \$66,000 which is described in Note 5..

#### NOTE 7 - FUNCTIONAL EXPENSES:

Expenses incurred include normal operating expenses categorized as church activities which include the expenses of ministry to the various age levels of the congregation (youth, children, men's and women's ministries), Ministry expenses for outreach and ministry to the congregation and community.

#### NOTE 8 - SUBSEQUENT EVENTS:

As of the date of this report; the Church had closed on an additional mortgage totaling \$3,000,000 which refinanced the existing mortgage note \$1,763,750 discussed in Note 3. Additional proceeds will be used to complete construction of new educational wing and will increase deferred charges. Other subsequent events have been evaluated by management and they have informed me that no other events took place that will impact the financial statements.