

**Mercy Hill Church
Financial Statements
December 31, 2014, 2015 and 2016**

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To the Board of Elders
Mercy Hill Church
Greensboro, NC

INDEPENDENT AUDITOR'S REPORT – JUNE 8, 2017

We have audited the accompanying financial statements of Mercy Hill Church (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and the related statements of activities and changes in net assets and cash flows 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 accounting principles generally accepted in the United States of America; this includes 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 financial position of Mercy Hill Church as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 6 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



To the Board of Elders
Mercy Hill Church
Greensboro, NC

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT – JUNE 8, 2017

Management is responsible for the accompanying financial statements of Mercy Hill Church (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2015, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Freeman & Bonnema, PLLC

Freeman & Bonnema, PLLC

Mercy Hill Church
Statements of Financial Position
As of December 31, 2014, 2015 and 2016

	<u>Compilation</u> <u>2014</u>	<u>Compilation</u> <u>2015</u>	<u>Audit</u> <u>2016</u>
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 824,888	\$ 537,368	\$ 414,749
Total Current Assets	<u>824,888</u>	<u>537,368</u>	<u>414,749</u>
<u>Property and Equipment</u>			
Land, Buildings and Improvements	1,150,100	1,204,222	2,825,339
Leasehold Improvements	140,747	945,992	958,419
Furniture and Equipment	40,686	203,800	421,304
Total Cost	<u>1,331,533</u>	<u>2,354,014</u>	<u>4,205,062</u>
Less Accumulated Depreciation	20,985	95,201	235,803
Net Property and Equipment	<u>1,310,548</u>	<u>2,258,813</u>	<u>3,969,259</u>
<u>Other Assets</u>			
Security Deposit	6,467	36,169	16,169
Total Other	<u>6,467</u>	<u>36,169</u>	<u>16,169</u>
Total Assets	<u>2,141,903</u>	<u>2,832,350</u>	<u>4,400,177</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>Current Liabilities</u>			
Current Portion of Long-Term Debt	-	-	60,993
Accounts Payable	8,622	20,821	43,178
Other Liabilities	258	4,366	7,478
Total Current Liabilities	<u>8,880</u>	<u>25,187</u>	<u>111,649</u>
<u>Long-Term Liabilities</u>			
Long-Term Debt	-	-	1,168,945
Total Liabilities	<u>8,880</u>	<u>25,187</u>	<u>1,280,594</u>
<u>Net Assets</u>			
Net Investment in Property and Equipment	1,317,015	2,294,982	2,755,490
Unrestricted	816,008	512,181	364,093
Total Unrestricted Net Assets	<u>2,133,023</u>	<u>2,807,163</u>	<u>3,119,583</u>
Total Liabilities and Net Assets	<u>2,141,903</u>	<u>2,832,350</u>	<u>4,400,177</u>

See Independent Accountant's Report and Notes to Financial Statements

Mercy Hill Church
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2014, 2015 and 2016

	<u>Compilation</u> <u>2014</u>	<u>Compilation</u> <u>2015</u>	<u>Audit</u> <u>2016</u>
<u>CHANGE IN UNRESTRICTED NET ASSETS</u>			
<u>Support and Revenues</u>			
Tithes, Offerings and Ministry Support	\$ 1,272,762	\$ 2,173,597	\$ 2,731,817
Contribution of Property	1,150,100	-	-
Rental Income	4,400	1,800	4,200
Investment Income	182	229	50
Gains (Losses) on Investments	-	(911)	67
Total Support and Revenues	<u>2,427,444</u>	<u>2,174,715</u>	<u>2,736,134</u>
<u>Expenses</u>			
Program Activities	646,457	1,331,309	2,151,752
Supporting Services	65,792	159,852	269,602
Fundraising Expense	24,003	9,414	2,360
Total Expenses	<u>736,252</u>	<u>1,500,575</u>	<u>2,423,714</u>
Change in Net Assets	1,691,192	674,140	312,420
Net Assets - Beginning of Year	441,831	2,133,023	2,807,163
Net Assets - Ending of Year	<u>2,133,023</u>	<u>2,807,163</u>	<u>3,119,583</u>

See Independent Accountant's Report and Notes to Financial Statements

Mercy Hill Church
Statements of Cash Flows
For the Years Ended December 31, 2014, 2015 and 2016

	<u>Compilation 2014</u>	<u>Compilation 2015</u>	<u>Audit 2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Change in Net Assets	1,691,192	\$ 674,140	\$ 312,420
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:			
Items not (Providing) Requiring Cash			
Depreciation	16,210	74,216	140,602
Donated Property	(1,150,100)	-	-
Changes in Current Assets and Liabilities:			
Increase (Decrease) in Accounts Payable	(1,381)	12,199	22,357
Increase (Decrease) in Other Liabilities	(666)	4,108	3,112
Net Cash Provided (Used) by Operating Activities	<u>555,255</u>	<u>764,663</u>	<u>478,491</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Deposits	-	(29,702)	-
Leasehold Improvements	(48,698)	(805,245)	(12,428)
Purchase of Property, Fixtures and Equipment	(28,214)	(217,236)	(1,818,620)
Net Cash Provided (Used) by Investing Activities	<u>(76,912)</u>	<u>(1,052,183)</u>	<u>(1,831,048)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Loan Proceeds - American National Bank	-	-	150,000
Loan Proceeds - Life Community Church	-	-	1,100,000
Loan Payments - Life Community Church	-	-	(20,062)
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>	<u>1,229,938</u>
Change in Cash and Cash Equivalents	478,343	(287,520)	(122,619)
Cash and Cash Equivalents - Beginning of Year	<u>346,545</u>	<u>824,888</u>	<u>537,368</u>
Cash and Cash Equivalents - End of Year	<u>824,888</u>	<u>537,368</u>	<u>414,749</u>
<u>Supplemental Disclosure</u>			
Cash Paid for Interest Expense	<u>-</u>	<u>-</u>	<u>30,771</u>

See Independent Accountant's Report and Notes to Financial Statements

Mercy Hill Church
Statement of Functional Expenses
For the Year Ended December 31, 2016

	<u>Programs Expense</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<u>Operating Expenses</u>				
Salaries, Benefits and Payroll Taxes	1,090,543	121,883	-	1,212,426
Rent Expense - Regional Road	218,754	-	-	218,754
Ministry Expense	208,525	-	-	208,525
Missions Expense	168,439	-	-	168,439
SENT Initiative	109,919	-	-	109,919
Service and Processing Fees	-	64,018	-	64,018
Office Expenses	-	55,297	-	55,297
Facility Cost - Regional Road	47,909	-	-	47,909
Facility Cost - Edgefield Road	34,168	11,271	-	45,439
Facility Cost - Clifton Road	34,653	-	-	34,653
Staff Development	31,485	2,763	-	34,248
IT Expense	18,762	7,386	-	26,148
Communications Expense	24,206	-	-	24,206
Fundraising	-	-	2,360	2,360
Total Operating Expenses	<u>1,987,363</u>	<u>262,618</u>	<u>2,360</u>	<u>2,252,341</u>
<u>Other Expenses</u>				
Depreciation Expense	133,618	6,984	-	140,602
Interest Expense	30,771	-	-	30,771
Total Other Expenses	<u>164,389</u>	<u>6,984</u>	<u>-</u>	<u>171,373</u>
Total Functional Expenses	<u><u>2,151,752</u></u>	<u><u>269,602</u></u>	<u><u>2,360</u></u>	<u><u>2,423,714</u></u>

Mercy Hill Church
Statement of Functional Expenses
For the Year Ended December 31, 2015

	<u>Programs Expense</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<u>Operating Expenses</u>				
Salaries, Benefits and Payroll Taxes	634,826	69,729	-	704,555
Rent Expense - Regional Road	174,142	-	-	174,142
Ministry Expense	135,117	-	-	135,117
Missions Expense	100,824	-	-	100,824
SENT Initiative	87,353	-	-	87,353
Service and Processing Fees	-	35,814	-	35,814
Office Expenses	-	31,091	-	31,091
Facility Cost - Regional Road	37,876	-	-	37,876
Facility Cost - Edgefield Road	37,451	14,905	-	52,356
Facility Cost - Clifton Road	-	-	-	-
Staff Development	23,200	1,576	-	24,776
IT Expense	14,483	-	-	14,483
Communications Expense	18,558	-	-	18,558
Fundraising	-	-	9,414	9,414
Total Operating Expenses	<u>1,263,830</u>	<u>153,115</u>	<u>9,414</u>	<u>1,426,359</u>
<u>Other Expenses</u>				
Depreciation Expense	67,479	6,737	-	74,216
Interest Expense	-	-	-	-
Total Other Expenses	<u>67,479</u>	<u>6,737</u>	<u>-</u>	<u>74,216</u>
Total Functional Expenses	<u>1,331,309</u>	<u>159,852</u>	<u>9,414</u>	<u>1,500,575</u>

Mercy Hill Church
Statement of Functional Expenses
For the Year Ended December 31, 2014

	<u>Programs Expense</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<u>Operating Expenses</u>				
Salaries, Benefits and Payroll Taxes	295,628	34,028	-	329,656
Rent Expense - Regional Road	80,422	-	-	80,422
Ministry Expense	93,863	-	-	93,863
Missions Expense	66,240	-	-	66,240
SENT Initiative	-	-	-	-
Service and Processing Fees	-	15,661	-	15,661
Office Expenses	-	9,870	-	9,870
Facility Cost - Regional Road	42,546	-	-	42,546
Facility Cost - Edgefield Road	12,405	4,602	-	17,007
Facility Cost - Clifton Road	-	-	-	-
Staff Development	9,878	-	-	9,878
IT Expense	11,454	-	-	11,454
Communications Expense	19,442	-	-	19,442
Fundraising	-	-	24,003	24,003
Total Operating Expenses	<u>631,878</u>	<u>64,161</u>	<u>24,003</u>	<u>720,042</u>
<u>Other Expenses</u>				
Depreciation Expense	14,579	1,631	-	16,210
Interest Expense	-	-	-	-
Total Other Expenses	<u>14,579</u>	<u>1,631</u>	<u>-</u>	<u>16,210</u>
Total Functional Expenses	<u>646,457</u>	<u>65,792</u>	<u>24,003</u>	<u>736,252</u>

Mercy Hill Church
Notes to Financial Statements
December 31, 2014, 2015 and 2016

1. NATURE OF ACTIVITIES

Mercy Hill Church (the "Church") was incorporated under the laws of the state of North Carolina on April 10, 2012.

The Church is a nonprofit corporation as defined by North Carolina Non-Profit Corporation Act and was organized exclusively for religious, charitable, and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.

The Church operates its ministry and holds services in multiple locations in Greensboro, North Carolina.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Church have been prepared on the accrual basis of accounting following principles generally accepted in the United States and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the reported activities and changes in net assets, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Financial Statement Presentation

The Church reports net assets, revenues, gains and losses based upon donor imposed restrictions. Accordingly, net assets of the Church and changes therein are classified and reported as follows:

Unrestricted – Represents those resources over which the board has discretionary control. Designated amounts represent those revenues which the Board of Trustees has set aside for a particular purpose, program or contingency. All property, equipment and related debt are considered unrestricted.

Temporarily Restricted – Represents those resources subject to donor imposed restrictions which will be satisfied by actions of the Church or passage of time. Once the purpose or time restriction is satisfied, the temporarily restricted amounts are reclassified to unrestricted net assets. It is the Church's policy to reflect as unrestricted those contributions whose restrictions are met in the same period they are received.

Permanently Restricted – Represents those resources subject to a donor imposed restriction that they be maintained permanently by the church.

Cash and Cash Equivalents

Cash and cash equivalents include cash, monies in banks, money market funds and highly liquid investments that are readily convertible to cash or with a remaining maturity of three months or less.

Mercy Hill Church
Notes to Financial Statements
December 31, 2014, 2015 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in marketable securities are reported at fair value as defined under generally accepted accounting principles using a three-tier valuation hierarchy of inputs – Level 1 inputs are observable market data for the same investments; Level 2 inputs use market data for like investments; and Level 3 inputs use assumptions and techniques by management.

The Church occasionally receives donated marketable securities and its policy is to sell the securities within a short time period to avoid market fluctuations and provide funding for use in ministry functions.

Property and Equipment

The land, buildings and equipment of the Church are recorded at cost if purchased or self-constructed, or at approximate fair value as of the date received, if donated. It is the policy of the Church to capitalize those expenditures which exceed \$1,000 and will provide an economic benefit greater than two years into the future. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 50 years.

Revenue Recognition

The Church receives the majority of its support in the form of voluntary tithes, offerings and revenues from its members and attendees. Contribution income is recorded when cash is received or when ownership of donated assets is transferred. Faith Pledges are not recorded on the Church's financial statements. At December 31, 2014, 2015 and 2016, there were no outstanding unconditional promises to give that would require recognition of a pledge receivable.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor imposed restrictions. Expenses are recorded when incurred in accordance with the accrual basis of accounting and are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by donor imposed stipulations. Contributions with restrictions are reported as increases in temporarily or permanently restricted net assets, depending upon the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reported in the statement of activities as "Net Assets Released from Restriction". It is the policy of the Church to report contributions with restrictions that are satisfied in the same period they are received as unrestricted support.

Contributed Services

The Church receives services donated by its members in carrying out the Church's ministry. No amounts have been reflected in the financial statements for those services because they do not meet the criteria for recognition under accounting guidance.

Functional Allocation of Expense

The Church allocates its expenses on a functional basis among its various program services and supporting activities. Expenses that can be identified with a specific program or supporting activity are allocated according to their natural expenditure classification. Other expenses that are common to several functions (such as facility, property, information technology and certain personnel expenses) are allocated by various statistical bases.

Mercy Hill Church
Notes to Financial Statements
December 31, 2014, 2015 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Church is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), except for taxes that may result from unrelated business activities. In addition, ordained ministers of the Church are granted certain income tax exemptions, if applied for and documented in the Church's records. Additional income and payroll taxes can be assessed against the Church and its ministers if exemption requirements are not met.

At December 31, 2014, 2015 and 2016, the Church has determined that there are no unrelated business activities for which income taxes would be due. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Accounting standards prescribe a recognition threshold and measurement principles for the financial statement disclosure of tax positions taken or expected to be taken on a tax return that are not certain to be realized. Management has evaluated for uncertain tax positions and to date has determined that there are no material uncertain tax positions that would require recognition in the financial statements at December 31, 2014, 2015 and 2016.

3. PROPERTY AND EQUIPMENT

At December 31, 2014, 2015 and 2016 the Church's property and equipment were as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Land and Building:			
Moutline Drive	\$ 40,000	\$ 40,000	\$ 40,000
Donvic Drive	103,400	103,400	102,800
Edgefield Road	1,006,700	1,060,822	1,065,337
Clifton Road	-	-	1,617,202
Total Land and Building	<u>1,150,100</u>	<u>1,204,222</u>	<u>2,825,339</u>
Leasehold Improvements -			
Regional Road	140,747	945,992	958,419
Furniture and Equipment	<u>40,686</u>	<u>203,800</u>	<u>421,304</u>
Total Cost	<u>1,331,533</u>	<u>2,354,014</u>	<u>4,205,062</u>
Accumulated Depreciation			
Leasehold Improvements	10,151	45,790	108,269
Property and Equipment	<u>10,834</u>	<u>49,411</u>	<u>127,534</u>
Total Accumulated Depreciation	<u>20,985</u>	<u>95,201</u>	<u>235,803</u>
Net Property and Equipment	<u>1,310,548</u>	<u>2,258,813</u>	<u>3,969,259</u>

In July 2014, the Church received the Edgefield Rd., Moutline Dr., and Donvic Dr. properties as a contribution from another church that was in the process of dissolution. Pursuant to generally accepted accounting principles, the properties were recorded at market value totaling \$1,150,100 using a current appraisal as of the date the property was received.

On May 23, 2016, the Church purchased the Clifton Rd. property for \$1,271,183 and has renovated the facility which is being used as an additional campus for ministry operations.

See Independent Accountant's Report

Mercy Hill Church
Notes to Financial Statements
December 31, 2014, 2015 and 2016

4. DEBT

The Church was obligated on notes payable as follows:

- Promissory note payable to American National Bank dated April 20, 2016 in the original amount of \$150,000 and maturing on April 20, 2017. The note was a straight line of credit and with a variable interest rate of national prime plus 1%. Payments of interest were due monthly with all outstanding principal and interest due at maturity. The note with an outstanding balance of \$150,000 was renewed on May 1, 2017 and a maturity of April 20, 2020. The note bears a variable rate of interest of national prime plus 1%. Principal and interest is due in 35 monthly payments in the amount of \$4,494 and one final payment at maturity of any remaining principal and accrued interest. The loan is secured by real property owned by the Church. At December 31, 2016, the interest rate was 5.00% and the balance outstanding was \$150,000.
- Promissory note payable to Life Community Church, Inc. dated May 2016 in the original amount of \$1,100,000 and maturing on May 15, 2036. The note bears an interest rate of 4.50%. Principal and interest are due in 240 monthly payments in the amount of \$6,959 and one final payment at maturity of any remaining principal and accrued interest. The loan is secured by the Clifton Rd. property. At December 31, 2016, the balance outstanding was \$1,079,938.

A summary of the debt outstanding is as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
American National Bank	\$ -	\$ -	\$ 150,000
Less Current Portion	<u>-</u>	<u>-</u>	31,405
Long-Term Portion	<u>-</u>	<u>-</u>	<u>118,595</u>
Life Community Church, Inc.	-	-	1,079,938
Less Current Portion	<u>-</u>	<u>-</u>	29,588
Long-Term Portion	<u>-</u>	<u>-</u>	<u>1,050,350</u>
Total Long-Term Debt	<u>-</u>	<u>-</u>	<u>1,168,945</u>

The revolving line of credit from American National Bank was converted to an amortizing loan subsequent to December 31, 2016. As a result of the renewal and conversion to an amortizing loan, the debt is reflected as long-term. Estimated principal payments and scheduled maturities for the next five years ending December 31st are as follows:

<u>December 31,</u>	<u>Life</u> <u>Community</u>	<u>American</u> <u>National</u>	<u>Total</u>
2017	\$ 29,588	\$ 31,405	\$ 60,993
2018	36,998	49,111	86,109
2019	38,698	51,624	90,322
2020	40,476	17,860	58,336
2021	42,335	-	42,335

Mercy Hill Church
Notes to Financial Statements
December 31, 2014, 2015 and 2016

5. LEASES

Campus Facilities

In 2013, the Church entered into an agreement to lease property for its Regional Rd. campus. Between 2014 and 2016, the Church expanded into additional space in the Regional Rd. facility, and various amendments to the original lease agreements were executed. In April 2014, upon receipt of a certificate of occupancy, a first amendment to the lease was executed with a commencement date of April 4, 2014 and a monthly lease amount of \$7,592. On December 1, 2014, a second amendment was executed which included a modification to the lease amount and term. In December 2015, a third amendment was executed and effective January 1, 2016 the monthly base rent amount was modified to \$19,511 with a five year initial term and two additional five year renewal options for the Church. Lease payments are subject to periodic adjustment at the end of the second year and at the beginning of each renewal term. The Church is also required to pay additional rent for common area expenses as billed by the landlord.

Annual rent expense was \$80,422, \$174,142, and \$218,754 for the years ended December 31, 2014, 2015 and 2016.

Future minimum lease payments for campus facilities for leases at December 31, 2016 were as follows:

Year ended Dec 31,

2017	\$ 234,132
2018	241,156
2019	241,156
2020	241,156
2021	253,214

Equipment Leases

The Church has various operating leases for office equipment. Total lease expense for the year ended December 31, 2016 was \$1,335.

Future minimum lease payments for leases at December 31, 2016 were as follows:

Year ended Dec 31,

2017	\$ 5,340
2018	5,340
2019	4,005

6. RETIREMENT PLAN

The Church sponsors a 403(b) retirement plan for qualifying employees. Total expense incurred by the Church related to the plan was \$6,356, \$13,809 and \$34,823 for the years ended December 31, 2014, 2015 and 2016.

Mercy Hill Church
Notes to Financial Statements
December 31, 2014, 2015 and 2016

7. CONCENTRATIONS

The Church maintains cash in bank deposit accounts which, at times, may exceed federally insured limits.

The Church is primarily dependent upon contributions from its congregation to meet expenses of operation. Although management of the Church expects contributions to be adequate to service all obligations, there can be no assurance that such contributions will be sufficient to meet these obligations. Also, there is no assurance that Church membership will increase or remain stable.

Any adverse change in the tax laws, or any adverse change in the Church's tax status as a tax-exempt organization, would affect contributors who are currently entitled to deduct their contributions to the Church from gross income. Any such change, in turn, could adversely affect the level of contributions to the Church and the ability of the Church to meet its obligations.

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 8, 2017, which is the date the financial statements were available to be issued.