

THE FRANCIS ASBURY SOCIETY, INC.

**FINANCIAL STATEMENTS
AND
REVIEW REPORT**

DECEMBER 31, 2015 AND 2014

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Business Affairs Committee
The Francis Asbury Society, Inc.

We have reviewed the accompanying statements of The Francis Asbury Society, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company 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, we do not express such an opinion.

Management's Responsibility For 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are 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.

Robinson, Hughes & Christopher, PSC

ROBINSON, HUGHES & CHRISTOPHER, P.S.C.
Certified Public Accountants

September 13, 2016

THE FRANCIS ASBURY SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 301,230	\$ 259,660
Cash restricted for endowment	15,621	2,305
Accounts receivable	1,552	1,584
Prepaid expenses	13,982	14,836
Inventory of books and other media	43,601	48,427
Investments	703,477	739,020
Land, building, property and equipment (net)	2,656,813	2,758,234
 Total Assets	 <u>\$ 3,736,276</u>	 <u>\$ 3,824,066</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 6,303	\$ 10,451
Accrued expenses	12,732	6,852
 Total Liabilities	 <u>19,035</u>	 <u>17,303</u>
 Net assets:		
Unrestricted but designated by the governing board for:		
Publishing activities	130,959	132,790
International evangelism	31,067	33,573
Building operations and maintenance	535,078	577,440
Unrestricted and available for general use	2,718,287	2,756,844
 Total unrestricted	 3,415,391	 3,500,647
Temporarily restricted	183,650	187,916
Permanently restricted	118,200	118,200
 Total Net Assets	 <u>3,717,241</u>	 <u>3,806,763</u>
 Total Liabilities and Net Assets	 <u>\$ 3,736,276</u>	 <u>\$ 3,824,066</u>

See accompanying notes and independent accountant's review report.

THE FRANCIS ASBURY SOCIETY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support				
Contributions	\$ 229,777	\$ 399,554	\$ -	\$ 629,331
Program income:				
Conference and event income	34,211			34,211
Book and media sales	47,355			47,355
Total program income	81,566	-	-	81,566
Investment income	(17,028)	(2,457)		(19,485)
Other income	7,350			7,350
Net assets released from restrictions:				
Satisfaction of program restrictions	403,820	(403,820)		-
Investment loss transferred to unrestricted	(2,457)	2,457		-
Total revenues, gains and other support	<u>703,028</u>	<u>(4,266)</u>	<u>-</u>	<u>698,762</u>
Expenses				
Program services	613,240			613,240
General supporting services	86,390			86,390
Fund-raising expenses	88,654			88,654
Total expenses	<u>788,284</u>	<u>-</u>	<u>-</u>	<u>788,284</u>
Change in net assets	(85,256)	(4,266)	-	(89,522)
Net assets at beginning of year	<u>3,500,647</u>	<u>187,916</u>	<u>118,200</u>	<u>3,806,763</u>
Net assets at end of year	<u>\$ 3,415,391</u>	<u>\$ 183,650</u>	<u>\$ 118,200</u>	<u>\$ 3,717,241</u>

See accompanying notes and independent accountant's review report.

THE FRANCIS ASBURY SOCIETY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support				
Contributions	\$ 135,801	\$ 380,904	\$ -	\$ 516,705
Program income:				
Conference and event income	42,793			42,793
Book and tape sales	63,893			63,893
Total program income	106,686	-	-	106,686
Investment income	42,585	5,462		48,047
Other income	13,160			13,160
Net assets released from restrictions:				
Satisfaction of program restrictions	388,231	(388,231)		-
Investment income added to endowment	5,462	(5,462)		-
Total revenues, gains and other support	<u>691,925</u>	<u>(7,327)</u>	<u>-</u>	<u>684,598</u>
Expenses				
Program services	588,833			588,833
General supporting services	116,309			116,309
Fund-raising expenses	113,341			113,341
Total expenses	<u>818,483</u>	<u>-</u>	<u>-</u>	<u>818,483</u>
Change in net assets	(126,558)	(7,327)	-	(133,885)
Net assets at beginning of year	<u>3,627,205</u>	<u>195,243</u>	<u>118,200</u>	<u>3,940,648</u>
Net assets at end of year	<u>\$ 3,500,647</u>	<u>\$ 187,916</u>	<u>\$ 118,200</u>	<u>\$ 3,806,763</u>

See accompanying notes and independent accountant's review report.

THE FRANCIS ASBURY SOCIETY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

<u>Cash flows from operating activities</u>	<u>2015</u>	<u>2014</u>
Change in net assets	\$ (89,522)	\$ (133,885)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	105,377	107,073
Realized (gain) loss on investments	8,206	(6,510)
Unrealized (gain) loss on investments	18,665	(34,420)
Change in:		
Accounts receivable	32	4,361
Prepaid expenses	854	861
Inventory of books and supplies	4,826	5,768
Accounts payable and accrued expenses	1,732	(16,235)
Net cash provided (used) by operating activities	<u>50,170</u>	<u>(72,987)</u>
<u>Cash flows from investing activities</u>		
Furniture and equipment purchased	(3,956)	(770)
Proceeds from sale of investments	121,205	22,429
Purchases of investments	(112,533)	(15,622)
Change in cash restricted for endowments	<u>(13,316)</u>	<u>235</u>
Net cash provided (used) by investing activities	<u>(8,600)</u>	<u>6,272</u>
Net increase (decrease) in cash and cash equivalents	41,570	(66,715)
Cash and cash equivalents at beginning of year	<u>259,660</u>	<u>326,375</u>
Cash and cash equivalents at end of year	<u>\$ 301,230</u>	<u>\$ 259,660</u>

See accompanying notes and independent accountant's review report.

THE FRANCIS ASBURY SOCIETY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Francis Asbury Society, Inc. (the Society) was incorporated on May 24, 1983. According to its Mission Statement, the purpose of the Society is to spread the message of Scriptural holiness to the ends of the earth in accordance with the Great Commission. The Society seeks to fulfill its purpose through evangelism, discipleship, missions, conferences, and Christian literature.

The Society is supported primarily through contributions from the general public.

Basis of Accounting

The financial statements of the Society have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Under GAAP, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with original maturity dates of less than three months.

Contributions Receivable

Unconditional promises to contribute to the Society are recorded as receivables at the time the promises are made. Conditional promises to give to the Society are recorded as receivables when the conditions on which they depend are substantially met.

Occasionally the Society asks prospective donors to commit to making monthly donations to support the general operations of the Society or a specific ministry project. The response cards on which such a commitment is made do not specify the length of the commitment. Since these pledges are indefinite as to duration and thus as to amount, management feels that they do not meet the criteria for revenue recognition under GAAP and are not reflected as contributions in the statement of activities until the pledges are collected.

See accompanying independent accountant's review report.

THE FRANCIS ASBURY SOCIETY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory of Books and Other Media

Inventory values are stated at the lower of cost or market using the average cost method.

Investments

Investments in equity securities with readily determinable fair values and all investments in mutual and exchange-traded funds holding such securities, are measured at fair value in the statement of financial position. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value. The fair values of exchange-traded and mutual funds held by the Society are measured using the highest level (level 1) of inputs in the fair value hierarchy, quoted prices in active markets for identical assets or liabilities.

Investment income or loss (including gains and loss on investments, interest and dividends) is included in the statement of activities as increases or decreases in unrestricted or temporarily restricted net assets.

Land, Building, Property and Equipment

Land, building, property and equipment are carried at cost, or if donated, at the approximate fair value at the date of the donation. Depreciation is computed using the straight-line method with useful lives of 3 years for software, 5 years for computers and related equipment, 5-10 years for furnishings, 10 years for appliances and media equipment, and 15 - 40 years for building and building components. Items costing less than \$500 are charged to expense at the time of purchase.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

Long-lived assets received as donations and without stipulations about how long the donated asset must be used are considered to be unrestricted contributions. When long-lived assets are acquired with donations restricted for those acquisitions, the acquisition is considered to have satisfied the restriction.

Donated securities are recorded at the fair market value of the securities using the mean between the high and low values on the day of donation.

See accompanying independent accountant's review report.

THE FRANCIS ASBURY SOCIETY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Society is exempt from income taxes under Internal Revenue Code Section 501(c)(3). Management monitors the activities of the Society to make certain that no unrelated business income is generated and that no activities which would cause the imposition of excise taxes occur. Accordingly, management has determined that no provision for income taxes is needed and that no significant exposure to risk of assessment of income or excise taxes currently exists. The federal returns for the current and preceding three years remain subject to examination.

NOTE B - CONCENTRATIONS OF CREDIT RISK

The Society maintains its deposits with various banks and two money market accounts. At December 31, 2015, the carrying amount of the Society's deposits, including restricted cash, was \$316,593. This included \$301,342 in bank deposits \$250,370 of which was covered by federal depository insurance and \$50,972 which was uninsured. The remaining \$15,251 was invested in money market funds held by a broker. The money market fund invests in short-term U.S. Treasury securities.

NOTE C - INVENTORY OF BOOKS AND OTHER MEDIA

Inventory consisted of books, CDs, DVDs, tapes, brochures, and pamphlets held for sale.

NOTE D - INVESTMENTS

The fair values of investments consisted of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Exchange-traded investment funds	\$ 673,453	\$ 686,640
Mutual fund	30,024	52,380
	<u>\$ 703,477</u>	<u>\$ 739,020</u>

Investment income from cash equivalents and investments for 2015 and 2014 was comprised of the following:

	<u>2015</u>	<u>2014</u>
Interest	\$ 418	\$ 501
Dividends	13,472	12,918
Investment fees	(6,504)	(6,302)
Net realized gains (losses)	(8,206)	6,510
Net unrealized gains (losses)	(18,665)	34,420
	<u>\$ (19,485)</u>	<u>\$ 48,047</u>

See accompanying independent accountant's review report.

THE FRANCIS ASBURY SOCIETY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE E - ENDOWMENT (continued)

The Society's investment policy also provides, "In the event that the current market value of any permanent endowment fund is less than the permanently restricted net assets of the fund, the spending rule relative to the particular fund shall be modified to appropriate for expenditure only the current income (interest and dividends) until such time as the current market value shall equal or exceed the permanently restricted net asset value of the fund."

For 2015 and 2014, in view of the fact that the market value of the assets in the pool related to permanently restricted contributions was less than the original contributions, the Finance Committee elected to retain all investment income related to those funds in the endowment account.

Endowment net asset composition by fund type as of December 31, 2015 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ (31,593)	\$ -	\$ 118,200	\$ 86,607
Board-designated	632,491	-	-	632,491
Total funds	<u>\$ 600,898</u>	<u>\$ -</u>	<u>\$ 118,200</u>	<u>\$ 719,098</u>

Endowment net asset composition by fund type as of December 31, 2014 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ (29,136)	\$ -	\$ 118,200	\$ 89,064
Board-designated	669,591	-	-	669,591
Total funds	<u>\$ 640,455</u>	<u>\$ -</u>	<u>\$ 118,200</u>	<u>\$ 758,655</u>

Changes in endowment related net assets for the year ended December 31, 2015, were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Assets at the beginning of year	\$ 640,455	\$ -	\$ 118,200	\$ 758,655
Investment return:				
Dividends	11,869	1,603	-	13,472
Investment fees	(5,731)	(773)	-	(6,504)
Net realized losses	(7,211)	(995)	-	(8,206)
Net unrealized losses	(16,373)	(2,292)	-	(18,665)
Total investment return	<u>(17,446)</u>	<u>(2,457)</u>	<u>-</u>	<u>(19,903)</u>
Loss transferred to unrestricted	(2,457)	2,457	-	-
Investment withdrawn	<u>(19,654)</u>	<u>-</u>	<u>-</u>	<u>(19,654)</u>
Assets at the end of year	<u>\$ 600,898</u>	<u>\$ -</u>	<u>\$ 118,200</u>	<u>\$ 719,098</u>

See accompanying independent accountant's review report.

THE FRANCIS ASBURY SOCIETY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE E - ENDOWMENT (continued)

Changes in endowment related net assets for the year ended December 31, 2014, were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Assets at the beginning of year	\$ 608,787	\$ -	\$ 118,200	\$ 726,987
Investment return:				
Dividends	11,414	1,505	-	12,919
Investment fees	(5,570)	(732)	-	(6,302)
Net realized gains	5,761	749	-	6,510
Net unrealized gains	30,480	3,940	-	34,420
Total investment return	<u>42,085</u>	<u>5,462</u>	<u>-</u>	<u>47,547</u>
Income retained in endowment	5,462	(5,462)	-	-
Investment withdrawn	(15,879)	-	-	(15,879)
Assets at the end of year	<u>\$ 640,455</u>	<u>\$ -</u>	<u>\$ 118,200</u>	<u>\$ 758,655</u>

NOTE F - LAND, PROPERTY AND EQUIPMENT

Land, property and equipment consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Building	\$ 2,672,210	\$ 2,672,210
Land	281,084	281,084
Office furniture and furnishings	140,029	138,655
Media equipment	68,802	68,802
Office equipment	22,948	23,173
Appliances	18,370	18,370
Computer equipment and software	18,578	15,996
	<u>3,222,021</u>	<u>3,218,290</u>
Less accumulated depreciation	(565,208)	(460,056)
	<u>\$ 2,656,813</u>	<u>\$ 2,758,234</u>

See accompanying independent accountant's review report.

THE FRANCIS ASBURY SOCIETY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE G - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31:

	<u>2015</u>	<u>2014</u>
United States ministry projects	\$ 58,691	\$ 71,395
Administrative support	47,892	32,916
Publishing	30,731	31,429
International ministry projects	26,629	27,322
Evangelists	14,700	16,763
Francis Asbury Institute	5,007	6,501
Conferences	-	1,590
	<u>\$ 183,650</u>	<u>\$ 187,916</u>

Permanently restricted net assets were available for the following purposes at December 31:

	<u>2015</u>	<u>2014</u>
Endowment - related income available for general operations	\$ 115,000	\$ 115,000
Temporary loans to fund general operations	3,200	3,200
	<u>\$ 118,200</u>	<u>\$ 118,200</u>

NOTE H - TAX DEFERRED RETIREMENT PLAN

Electing staff of the Society may participate in a 403(b) tax-deferred retirement plan. Contributions to the plan are made solely at the election of the employee through salary reductions and may not exceed certain statutory limits.

NOTE I - CONTRIBUTIONS

A significant portion of the Society's contributions is generally provided by a limited number of individuals. In both 2015 and 2014, one donor contributed more than \$20,000 to the Society. In 2015, this donor contributed \$45,500 in temporarily restricted contributions and \$33,000 in unrestricted contributions. In 2014, this donor contributed \$69,000 in temporarily restricted contributions and \$19,000 in unrestricted contributions.

During 2015, an unrestricted bequest of \$80,295 was also received.

See accompanying independent accountant's review report.

THE FRANCIS ASBURY SOCIETY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE J - DONATED SERVICES

During both 2015 and 2014, volunteers provided limited assistance in preparing small bulk mailings, editing, transcribing of tapes, and office duties. The total time provided by these volunteers was approximately 772 hours in 2015 and 650 hours in 2014. Additionally, the Society's board of directors serves without pay. None of these donated services are reflected in the financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

NOTE K - SUBSEQUENT EVENTS

Events subsequent to December 31, 2015 have been evaluated to determine their potential impact on the financial statements. Events through September 13, 2016, the date the financial statements were available to be issued, were considered.

There were no events occurring during this period requiring disclosure in the financial statements.

See accompanying independent accountant's review report.