

**SOUTHEASTERN EDUCATIONAL SERVICES, INC.
D/B/A
FAITHWORKS**

Financial Statements and Auditor's Report

For the Year Ended
December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Southeastern Educational Services, Inc. d/b/a FaithWorks
Brunswick, Georgia

We have audited the accompanying financial statements of Southeastern Educational Services, Inc. d/b/a FaithWorks (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statement of activities 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.

Auditors' 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 auditors' 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 the 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 Southeastern Educational Services, Inc. d/b/a FaithWorks as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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 13 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.

Coastal CPAs, LLC

Coastal CPAs, LLC
February 24, 2017
St. Simons Island, Georgia

Southeastern Educational Services, Inc.
d/b/a FaithWorks
Statement of Financial Position
For the Year Ended December 31, 2015

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 91,930
Other Current Assets	1,184

Total Current Assets	93,114
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UMC Investment - Board Designated	48,072
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Property and Equipment

Land	10,900
Buildings	211,364
Capital Improvements	256,651
Furniture & Equipment	14,933
Less: Accumulated Depreciation	(26,915)

Total Property and Equipment - Net	466,933
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Other Assets	1,386
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Total Assets	\$ 609,505
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The accompanying notes are an integral part of these financial statements

Southeastern Educational Services, Inc.
d/b/a FaithWorks
Statement of Financial Position
For the Year Ended December 31, 2015

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 1,660
Payroll Liabilities	7,878
Note Payable	50,000
Total Current Liabilities	<u>59,538</u>

Net Assets

Unrestricted:	
Undesignated	34,962
Investment in Property and Equipment	466,933
Total Unrestricted	<u>501,895</u>
Board Restricted	<u>48,072</u>
Total Net Assets	<u>549,967</u>
Total Liabilities and Net Assets	<u><u>\$ 609,505</u></u>

The accompanying notes are an integral part of these financial statements

Southeastern Educational Services, Inc.
d/b/a FaithWorks
Statement of Activities
For The Year Ended December 31, 2015

Revenues and Support	
Contributions	\$ 478,312
Contract Income	76,380
Grant Revenue	32,000
Program Revenue	13,602
Rental Income	4,400
Special Events	62,769
Unrealized Gains (Loss) from Investments	(1,264)
Other Income	1,503
Total Revenues and Support	<u>667,702</u>
Expenses	
Program Expenses	337,144
General & Administrative	182,118
Fundraising	34,490
Total Expenses	<u>553,752</u>
Change in Net Assets	<u>113,950</u>
Net Assets, beginning	436,017
Net Asset, ending	<u>\$ 549,967</u>

The accompanying notes are an integral part of these financial statements

Southeastern Educational Services, Inc.
d/b/a FaithWorks
Statement of Cash Flows
For the Year Ended December 31, 2015

Operating Activities	
Increase in Net Assets	\$ 113,950
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation	11,494
Unrealized (Gain) Loss on Investments	1,264
Changes in Operating Assets and Liabilities:	
Other Assets	(568)
Accounts Payable	1,027
Accrued Expenses	268
Net Cash Provided (Used) by Operating Activities	<u>127,435</u>
Investing Activities	
Improvements on Shelter	(172,406)
Distribution from Investment	748
Net Cash Provided (Used) by Investing Activities	<u>(171,658)</u>
Financing Activities	
Withdrawals on Loan	50,000
Net Cash Provided (Used) by Financing Activities	<u>50,000</u>
Net Increase in Cash and Cash Equivalents	<u>5,777</u>
Cash and Cash Equivalents, beginning	<u>86,153</u>
Cash and Cash Equivalents, ending	<u>\$ 91,930</u>
Interest expense	<u>\$ 1,670</u>
Income tax expense	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Southeastern Educational Services, Inc.
d/b/a FaithWorks
Notes to Financial Statements
For the Year Ended December 31, 2015

Note 1 – Organization and Summary of Significant Accounting Policies

Organization

Southeastern Educational Services, Inc. d/b/a FaithWorks (the Organization) is a nonprofit faith based organization located in Glynn County, Georgia, actively developing collaborative, ecumenical, and secular partnerships to maximize resources that meet human needs. Currently, we partner with 36 churches and have almost 900 individuals and businesses that provide financial support. We seek to foster relationships and community spirit by connecting people to eliminate prejudice and to heal brokenness. Our mission is “putting our faith to work so al might know that faith works.”

FaithWorks began in 1995 as a ministry of the United Methodist Church to identify, to study, and to create models for ministry beyond the walls of the local church. It has developed into an ecumenical ministry which focuses on, but not limited to, community healthcare ministries and poverty needs in Glynn County, Georgia and the surrounding Southeast Georgia area.

Income Taxes

The Organization is covered by the United Methodist Church’s group determination letter from the Internal Revenue Service indicating that it is a nonprofit corporation and, except for taxes pertaining to unrelated business income, is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code. During the fiscal year 2015, the organization collected \$4,400 in rental income.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting. Revenue, other than contributions, is recognized when earned and expenses when the obligation is incurred.

Basis of Presentation

The accounting policies of the Organization conform to U.S. generally accepted accounting principles as applicable to non-profit organizations. Financial presentation follows the recommendation of the Financial Accounting Standards Board Accounting Standards Codification (ASC) Number 958 for Not-for-Profit Entities.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The organization’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Southeastern Educational Services, Inc.
d/b/a FaithWorks
Notes to Financial Statements
For the Year Ended December 31, 2015

Cash and cash equivalents

For financial statement purposes, the Organization considers demand deposits, certificates of deposit, and repurchase agreements to be cash equivalents. Cash in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes.

Property and Equipment

Buildings and improvements, furniture, equipment and fixtures and vehicles are capitalized at cost. The Organization has no specific policy to capitalize expenditures for these items.

Donated property and equipment are recorded at the estimated fair market value on the date received. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Major repairs and improvements are capitalized and depreciated.

The cost and accumulated depreciation of property retired, sold or disposed of are removed from the related accounts with any gain or loss credited or charged to income. Depreciation for property and equipment is calculated using the straight-line method. Estimated useful lives are as follows:

<u>Type of Property</u>	<u>Estimated Useful Life</u>
Buildings	39 years
Furniture and Equipment	3-7 years
Vehicles	5 years

Depreciation expense for the year ended December 31, 2015 is \$11,494.

Donated Facilities, Services and Materials

Volunteers have donated significant amounts of time in support of the organization's administration. However, no amounts related to these services have been reflected in the financial statements since no objective basis is available to measure their value.

Net assets

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Unrestricted: Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

Southeastern Educational Services, Inc.
d/b/a FaithWorks
Notes to Financial Statements
For the Year Ended December 31, 2015

Temporarily restricted: Temporarily restricted net assets include those net assets whose use by the organization has been donor restricted by specified time or purpose limitations. The Organization does not currently have any temporarily restricted net assets.

Permanently restricted: Permanently restricted net assets must be maintained in perpetuity by the organization. In accordance with donor instruction, the organization may use the investment income earned on permanently restricted net assets for specified purposes. The Organization does not currently have any permanently restricted net assets.

Public Support and Revenue

Contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor.

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of donor restriction. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, as applicable. Within temporarily restricted net assets, amounts may be reclassified to unrestricted net assets when restrictions expire by passage of time or the fulfillment of the stipulated purpose. Restriction on gifts of land, building, or equipment or contributions restricted for the purchase of those assets expire when the asset is placed in service unless the donor stipulated otherwise.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Program services: Activities that result in services that fulfill the purpose or mission of the organization. Program services are the major purpose for and the major output of the organization.

Supporting services: Activities that are not identifiable with a specific program, fundraising activity, or membership development activity, but are indispensable to the organization.

General and administrative services: The general and administrative service includes expenditures to secure proper administrative functioning, maintain the building, and manage the financial responsibilities of the organization

Fundraising: The fundraising service includes expenditures that encourage and secure financial support for the organization.

Southeastern Educational Services, Inc.
d/b/a FaithWorks
Notes to Financial Statements
For the Year Ended December 31, 2015

Concentrations

Credit risk: The organization maintains its cash in bank deposit accounts which, on occasion, may exceed federally insured limits. Management continually monitors the soundness of these financial institutions and believes the exposure to loss to be minimal. The Organization had no excess cash deposits over federally insured amounts at December 31, 2015.

Market value risk: Investment securities are exposed to various risks, such as interest rate risk, market risk, credit risk, and liquidity risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the accompanying financial statements.

Recent Accounting Pronouncements

Management does not anticipate that any of the recent accounting pronouncements, when effective and implemented if necessary, would have a material impact on the financial condition, results of operations, or liquidity of the Organization.

Note 2 – Investments – Board Designated

The Organization’s Investment Fund was created on October 31, 2014. The first \$50,000 was designated as the Karen Millburn Fund by the Board of Directors at the July 22, 2014 meeting. Only the investment income and appreciation earned on the fund is to be used to support the organization’s activities. Those funds are to be utilized exclusively for the charitable assistance of cancer survivors. The Fund is managed by the Georgia United Methodist Foundation under the direction of the Executive Director and the Board of Directors. At December 31, 2015, funds were invested in one multiple asset mutual fund.

The activity for the year ended December 31, 2015 for the Investment Fund was composed of the following:

	<u>Board Designated</u>
Balance as of 1/1/2015	\$ 50,085
Dividends and Interest	2
Administrative Fees	(251)
Board Designated Funds Received	(499)
Unrealized Gain (Loss)	<u>(1,264)</u>
Balance as of 12/31/2015	<u>\$ 48,073</u>

Southeastern Educational Services, Inc.
d/b/a FaithWorks
Notes to Financial Statements
For the Year Ended December 31, 2015

Note 3 – Fair Value Measurements

Accounting principles generally accepted in the United States of America define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level fair value hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Investments are required to be recorded at fair value on a recurring basis. When available, the Organization uses quoted market prices to determine the fair value of investment securities, and they are included in Level 1. These investments primarily consist of common stocks and mutual funds. When quoted market prices are not available, the Organization uses other observable and unobservable inputs including estimates provided by the investment partnerships' general manager, which generally represents The Organization's proportionate share of the fair value of underlying securities.

In 2009, the FASB issued additional guidance for disclosures and classification within the hierarchy related to fair value of investments in funds that calculate net asset value per share. This guidance requires investments held in partnerships to be classified as Level 2 or Level 3 based on whether The Organization has the ability to redeem the investment in the near term. Investments held in partnerships are required to be classified as Level 3 within the hierarchy when redemptions are not allowed in the near term.

Southeastern Educational Services, Inc.
d/b/a FaithWorks
Notes to Financial Statements
For the Year Ended December 31, 2015

Note 4 – Greyhound Station

In 2014, the Organization purchased the former Greyhound Station in Brunswick, Georgia to serve as a Homeless Shelter for the area. The building and property required renovations and updates to make the property functional for the purpose of the Organization. The Shelter was placed into service by the Organization in March 2015, and therefore, the building and capital improvements were properly depreciated for the life of the building.

Note 5 – Lessor - Rental Income

In 2014, the Organization entered into a rental agreement for the Reynolds Property. The lease is in effect until December 31, 2015 and then may go into a month to month agreement. Rental income was \$4,400 as of December 31, 2015.

Note 6 – Note Payable

On April 20, 2015, the Organization obtained a loan in the amount of \$50,000 with a local financial institution to complete renovations to the Homeless Shelter. The original maturity date was one year from the origination date. Interest rate on the loan was 1.0% above the current index rate. At the date of origination, the interest rate was 4.25%. The Organization's R. Street property building serves as collateral for the loan.

Note 7 – Subsequent Events

Management has evaluation all subsequent events through February 24, 2017, the date the financial statements were issued, for possible inclusion as a disclosure in the financial statements.

On May 23, 2016, the Organization refinanced the note payable due on April 20, 2016 in the amount of \$30,195. The maturity date was one year from the origination date, May 23, 2017. Interest rate on the loan was 1.0% above the current index rate. At the date of the refinance, the interest rate was 4.5%. The Organization's R. Street property building continues to serve as collateral for the loan.

Southeastern Educational Services, Inc.
d/b/a FaithWorks
Schedule of Functional Allocation of Expenses
For the Year Ended December 31, 2015

Expenses	Program Services	Supporting Services		Total
		General & Adminstrative	Fundraising	
Advertising	\$ -	\$ 3,451	\$ -	\$ 3,451
Banquet Expenses	-	-	31,018	31,018
Bank Charges	-	334	-	334
Benevolence	49,647	-	-	49,647
Depreciation	10,289	1,205	-	11,494
Fundraising Expenses	-	-	3,472	3,472
Insurance	-	7,816	-	7,816
Interest Expense	-	1,670	-	1,670
Miscellaneous	4,598	15,249	-	19,847
Office Expenses	-	8,757	-	8,757
Payroll Expense	239,620	102,859	-	342,479
Payroll Taxes	4,817	16,058	-	20,875
Professional Services	573	6,493	-	7,066
Repair and Maintenance	3,227	-	-	3,227
Supplies	7,059	2,686	-	9,745
Textile Recycling	5,044	-	-	5,044
Travel	925	1,312	-	2,237
Utilities	11,345	12,751	-	24,096
Volunteer Appreciation	-	1,477	-	1,477
Total Expenses	\$ 337,144	\$ 182,118	\$ 34,490	\$ 553,752

The accompanying notes are an integral part of these financial statements