

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

**Financial Statements and Auditor's Report**

For the Year Ended  
**December 31, 2018**

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Southeastern Education Services, Inc. d/b/a FaithWorks (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the statement of activities and cash flow for the year 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 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.

### 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 AICPA. 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 the basis of accounting the company uses for income tax purposes. 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 accordance with accounting principles generally accepted in the United States of America.

### Other Matters

The Schedule of Functional Allocation of Expenses is supplemental information presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management. We have not audited or reviewed the Schedule of Functional Allocation of Expenses and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

## Coastal CPAs, LLC

Coastal CPAs, LLC  
St. Simons Island, Georgia  
January 28, 2020

**Southeastern Educational Services, Inc.**  
**d/b/a FaithWorks**  
**Statement of Financial Position**  
**For the Year Ended December 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 131,793	\$ 7,024	\$ 138,817
Other Current Assets	784	-	784
<b>Total Current Assets</b>	<u>132,577</u>	<u>7,024</u>	<u>139,601</u>
<b>UMC Investment - Board Designated</b>	<u>50,629</u>	<u>-</u>	<u>50,629</u>
<b>Property and Equipment</b>			
Land	19,710	-	19,710
Buildings	290,690	-	290,690
Capital Improvements	300,065	-	300,065
Furniture & Equipment	29,400	-	29,400
Vehicles	6,000	-	6,000
Construction in Progress	93,657	-	93,657
Less: Accumulated Depreciation	(73,839)	-	(73,839)
<b>Total Property and Equipment - Net</b>	<u>665,683</u>	<u>-</u>	<u>665,683</u>
<b>Other Assets</b>	<u>1,512</u>	<u>-</u>	<u>1,512</u>
<b>Total Assets</b>	<u>850,401</u>	<u>7,024</u>	<u>857,425</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts Payable	13,612	-	13,612
Note Payable	22,500	-	22,500
<b>Total Current Liabilities</b>	<u>36,112</u>	<u>-</u>	<u>36,112</u>
<b>Net Assets</b>			
Without Donor Restrictions			
Investment in Fixed Assets	665,683	-	665,683
Board Designated	50,629	-	50,629
Undesignated	97,977	-	97,977
<b>Total Without Donor Restrictions</b>	<u>814,289</u>	<u>-</u>	<u>814,289</u>
With Donor Restrictions			
	<u>-</u>	<u>7,024</u>	<u>7,024</u>
<b>Total Net Assets</b>	<u>814,289</u>	<u>7,024</u>	<u>821,313</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 850,401</u>	<u>\$ 7,024</u>	<u>\$ 857,425</u>

See Independent Accountant's Review Report

**Southeastern Educational Services, Inc.**  
**d/b/a FaithWorks**  
**Statement of Activities**  
**For The Year Ended December 31, 2018**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues and Support</b>			
Contributions	\$ 379,647	\$ 190,941	\$ 570,588
Contract Income	81,032	-	81,032
Grant Revenue	-	125,000	125,000
Rental Income	5,510	-	5,510
Special Events	78,046	-	78,046
Other Income	7,771	-	7,771
Change in Unrealized Gain (Loss)	(2,016)	-	(2,016)
Released from Restrictions	343,834	(343,834)	-
<b>Total Revenues and Support</b>	<u>893,824</u>	<u>(27,893)</u>	<u>865,931</u>
<b>Expenses</b>			
Program Expenses	395,183	-	395,183
General & Administrative	213,266	-	213,266
Fundraising	46,534	-	46,534
<b>Total Expenses</b>	<u>654,983</u>	<u>-</u>	<u>654,983</u>
<b>Change in Net Assets</b>	<u>238,841</u>	<u>(27,893)</u>	<u>210,948</u>
<b>Net Assets, beginning</b>	575,448	34,917	610,365
<b>Net Asset, ending</b>	<u>\$ 814,289</u>	<u>\$ 7,024</u>	<u>\$ 821,313</u>

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**Southeastern Educational Services, Inc.**  
**d/b/a FaithWorks**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2018**

<b>Operating Activities</b>	
Increase in Net Assets	\$ 210,948
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation	17,913
Changed in Unrealized (Gain) Loss on Investments	2,016
Changes in Operating Assets and Liabilities:	
Other Assets	285
Accounts Payable	4,813
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>235,975</b>
<b>Investing Activities</b>	
Purchase of property and equipment	(208,159)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(208,159)</b>
<b>Financing Activities</b>	
Payments on Loan	(2,500)
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>(2,500)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>25,316</b>
<b>Cash and Cash Equivalents, beginning</b>	<b>113,501</b>
<b>Cash and Cash Equivalents, ending</b>	<b>\$ 138,817</b>
Interest expense	<b>\$ 1,741</b>

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**Southeastern Educational Services, Inc.**  
**d/b/a FaithWorks**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**  
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**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 all 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 2018, the organization collected \$5,510 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.**  
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***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><b>Type of Property</b></u>	<u><b>Estimated Useful Life</b></u>
Buildings	39 years
Furniture and Equipment	3-7 years
Vehicles	5 years

Depreciation expense for the year ended December 31, 2018 is \$17,913.

***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 two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Without donor restrictions: The portion of net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. The investments held by the organization are directed as reserves by the Board.



**Southeastern Educational Services, Inc.**  
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With donor restrictions: The portion of net assets whose use is subject to donor-imposed restrictions.

***Public Support and Revenue***

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

Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions depending upon the existence and/or nature of donor restriction. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, as applicable. Within net assets with donor restrictions, amounts may be reclassified to net assets without donor restrictions when the restriction expires 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.

***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, 2018.

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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***

The Financial Accounting Standards Board issued Update No. 2016-14 to ASC Topic 958, *Not-for-Profit Entities* in August of 2016. The main provisions of this update changed the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two classes: net assets with donor restrictions and net assets without donor restrictions. The update also enhanced disclosures in regards to governing board designations, liquidity of financial assets to meet cash needs for general expenditures within one year of the balance sheet date as well as disclosing expenses by both their natural classification and their functional classification. The changes mentioned above only highlight a portion of the changes in the amendment. It is recommended that the amendment is reviewed in its entirety. View Update No. 2016-14 by visiting the FASB website at [fasb.org](http://fasb.org).

The amendments in the Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The organization implemented the new update in the current year. The financial statements and note disclosures have been updated to comply with Update No. 2016-14.

**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, 2018, funds were invested in one multiple asset mutual fund. The activity for the year ended December 31, 2018 for the Investment Fund was composed of the following:

	<u>Board Designated</u>
Balance as of 1/1/2018	\$ 56,244
Dividends and Interest	4
Administrative Fees	(2,340)
Unrealized Gain (Loss)	<u>(3,279)</u>
Balance as of 12/31/2018	<u>\$ 50,629</u>

**Southeastern Educational Services, Inc.**  
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**Notes to Financial Statements**  
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**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.**  
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**Note 4 – Note Payable**

As of December 31, 2018, the organization had a note outstanding with a local financial institution. Interest rate on the loan was 5.25%. The Organization’s Reynold Street property serves as collateral for the loan. The balance at December 31, 2018 was \$22,500.

The following is the maturity of the note payable:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 2,500
2020	2,500
2021	2,500
2022	15,000
Total	<u>\$ 22,500</u>

**Note 5 – Liquidity and Availability of Assets**

The organization has \$184,438 of financial assets available within 1 year of December 31, 2018 to meet cash needs for general expenditure consisting of cash of \$131,793 and investments of \$52,645. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of December 31, 2018. Investment funds, as previously disclosed, are held in mutual funds and are directed by the Board. The balance reported is the fair market value as of December 31, 2018. The sale of these investments may result in a different sales price as the fair market value of these funds may vary due to fluctuations in the market.

**Note 6 – Subsequent Events**

The Organization’s date for evaluating the existence of subsequent events that would affect the financial statements for the year ended December 31, 2018, was January 28, 2020, which was the date the financial statements were issued.

**Southeastern Educational Services, Inc.**  
**d/b/a FaithWorks**  
**Schedule of Functional Allocation of Expenses**  
**For the Year Ended December 31, 2018**

Expenses	Program Services	Supporting Services		Total
		General & Adminstrative	Fundraising	
Benevolence	\$ 43,962	\$ -	\$ -	\$ 43,962
Depreciation	17,913	-	-	17,913
Fundraising Expenses	-	-	46,534	46,534
Insurance	-	8,014	-	8,014
Interest Expense	-	1,741	-	1,741
Miscellaneous	1,526	-	-	1,526
Office Expenses	228	4,152	-	4,380
Payroll Expense	272,250	95,052	-	367,302
Payroll Taxes	10,119	16,244	-	26,363
Professional Services	-	68,077	-	68,077
Repair and Maintenance	13,733	94	-	13,827
Supplies	7,414	1,783	-	9,197
Travel	3,392	116	-	3,508
Utilities	24,646	17,089	-	41,735
Volunteer Appreciation	-	904	-	904
<b>Total Expenses</b>	<b>\$ 395,183</b>	<b>\$ 213,266</b>	<b>\$ 46,534</b>	<b>\$ 654,983</b>