

**FIRST BAPTIST CHURCH,**  
**DENHAM SPRINGS, LOUISIANA**

**DECEMBER 31, 2020**

**DENHAM SPRINGS, LOUISIANA**

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### Independent Auditor's Report

To the Church Council  
First Baptist Church, Denham Springs, Louisiana  
Denham Springs, Louisiana

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of First Baptist Church, Denham Springs, Louisiana (the Church), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 qualified audit opinion.

## **Basis for Qualified Opinion**

As explained in Note 1 to the financial statements, accumulated depreciation and depreciation expense has not been recorded in the financial statements. Additionally, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of certain property and equipment owned by the Church that was placed in service prior to August 2016 as those records were destroyed in a significant flooding event. Accounting principles generally accepted in the United States of America require property and equipment to be capitalized as assets based on historical costs necessary to place those assets in service and related depreciation to be recorded each period based on estimated useful lives and appropriate depreciation methods. The effects on the accompanying financial statements for the factors listed above related to property and equipment and accumulated depreciation and depreciation expense have not been determined.

## **Qualified Opinion**

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Church as of December 31, 2020, 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 Matters***

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Schedule of Compensation, Benefits and Other Payments to the Senior Pastor are presented for the purposes of additional analysis and are 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.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021, on our consideration of the Church's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Church's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Church's internal control over financial reporting and compliance.

Respectfully submitted,

*Hammis T. Bourgeois, LLP*

Baton Rouge, Louisiana  
December 20, 2021

FIRST BAPTIST CHURCH, DENHAM SPRINGS, LOUISIANA

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2020

ASSETS

**Current Assets:**

Cash and Cash Equivalents:

Cash Held at Financial Institutions \$ 2,721,076

Floating Rate Demand Notes 1,170,479

3,891,555

Investments 1,378,225

Grants Receivable 232,303

Total Current Assets 5,502,083

**Property and Equipment** 13,483,907

**Construction in Progress** 489,726

Total Assets \$ 19,475,716

LIABILITIES AND NET ASSETS

**Current Liabilities:**

Accounts Payable \$ 284,286

Accrued Liabilities 7,247

Total Current Liabilities 291,533

**Net Assets:**

Without Donor Restrictions:

Designated 864,316

Undesignated 17,742,058

Total Without Donor Restrictions 18,606,374

With Donor Restrictions:

Restricted for Purpose 577,809

Total Net Assets 19,184,183

Total Liabilities and Net Assets \$ 19,475,716

The accompanying notes are an integral part of this statement.

**FIRST BAPTIST CHURCH, DENHAM SPRINGS, LOUISIANA**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue:</b>			
Contributions	\$ 1,545,145	\$ 278,587	\$ 1,823,732
Grant Income	7,047,674	-	7,047,674
Kindergarten and Mother's Day Out			
Tuition (MDO)	153,145	-	153,145
Interest Income	59,561	-	59,561
Net Gain on Investments	248,670	-	248,670
Net Assets Released from Restrictions	735,235	(735,235)	-
	9,789,430	(456,648)	9,332,782
<b>Expenses:</b>			
Program Services:			
Ministry	997,238	-	997,238
Kindergarten and Mother's Day Out	236,955	-	236,955
	1,234,193	-	1,234,193
Supporting Services:			
General and Administrative	364,619	-	364,619
	1,598,812	-	1,598,812
<b>Change in Net Assets</b>	8,190,618	(456,648)	7,733,970
<b>Net Assets at Beginning of Year</b>	10,415,756	1,034,457	11,450,213
<b>Net Assets at End of Year</b>	\$ 18,606,374	\$ 577,809	\$ 19,184,183

The accompanying notes are an integral part of this statement.

**FIRST BAPTIST CHURCH, DENHAM SPRINGS, LOUISIANA**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services			Supporting Services	
	Ministry	Kindergarten and MDO	Total	General and Administrative	Total
Personnel	\$ 530,106	\$ 178,206	\$ 708,312	\$ 132,527	\$ 840,839
Payroll Taxes	12,358	13,633	25,991	3,089	29,080
Bank Fees	9,543	1,363	10,906	2,727	13,633
Utilities	45,119	6,446	51,565	12,891	64,456
Interest Expense	-	-	-	147,083	147,083
Materials, Supplies, Curriculum	47,892	14,256	62,148	8,748	70,896
Promotional	6,871	-	6,871	-	6,871
Computer, Equipment, and Technology	7,547	6,732	14,279	24,917	39,196
Missions	148,582	-	148,582	-	148,582
Events, Retreats, Camps	45,543	-	45,543	-	45,543
Insurance	31,011	4,430	35,441	8,860	44,301
Repairs, Maintenance, Custodial, and Security	85,824	11,677	97,501	23,353	120,854
Training and Conferences	3,154	212	3,366	424	3,790
Ministry - Other	23,688	-	23,688	-	23,688
	\$ 997,238	\$ 236,955	\$1,234,193	\$ 364,619	\$1,598,812

The accompanying notes are an integral part of this statement.

FIRST BAPTIST CHURCH, DENHAM SPRINGS, LOUISIANA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

<b>Cash Flows From Operating Activities:</b>	
Change in Net Assets	\$ 7,733,970
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Net (Gains) Losses on Investments	(248,670)
Changes in Assets and Liabilities:	
(Increase) Decrease in Grants Receivable	713,282
Increase (Decrease) in Accrued Liabilities	4,008
Increase (Decrease) in Accounts Payable	284,286
	<hr/>
Cash Provided by Operating Activities	8,486,876
<b>Cash Flows From Investing Activities:</b>	
Net Purchases of Investments	(40,151)
Purchases of Building and Equipment	(511,388)
	<hr/>
Net Cash Used in Investing Activities	(551,539)
<b>Cash Flows From Financing Activities:</b>	
Repayments of Debt	(6,703,602)
	<hr/>
Net Cash Used in Financing Activities	(6,703,602)
<b>Net Increase in Cash and Cash Equivalents</b>	1,231,735
<b>Cash and Cash Equivalents - Beginning of Year</b>	2,659,820
	<hr/>
<b>Cash and Cash Equivalents - End of Year</b>	\$ 3,891,555
	<hr/> <hr/>
<b>Supplemental Disclosure of Cash Flow Information:</b>	
Cash Payments for:	
Interest	\$ 147,083
	<hr/> <hr/>

The accompanying notes are an integral part of this statement.



FIRST BAPTIST CHURCH, DENHAM SPRINGS, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

**Note 1 - Summary of Significant Accounting Policies -**

Nature of Organization

First Baptist Church, Denham Springs, Louisiana (“the Church”) was formed in October of 1928. The Church is a Southern Baptist Church and exists to reach people with the gospel and lead them to be devoted followers of Jesus Christ. The Church receives the majority of its support through contributions from its congregation in Denham Springs, Louisiana and through its school programs.

Income Taxes

The Church is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) as a religious organization, and therefore no provision is made for federal or state income taxes.

The Church regularly reviews and evaluates its tax position taken with regard to issues affecting its tax status, unrelated business income, and related matters. The Church believes that in the event of an examination by taxing authorities, its positions would prevail based upon technical merits of such positions. Therefore, the Church has concluded that no tax benefit or liabilities are required to be recognized as of December 31, 2020.

Compensated Absences

Employees of the Church earn vacation and sick pay in varying amounts according to years of service and subject to maximum limitations. Sick pay balances are not paid if an employee is terminated or leaves. Employees whose employment is terminated will receive vacation pay for any unused vacation accrued at time of termination or layoff. However, unused vacation may not be rolled over to the next year. Therefore, no balances have been recorded for unused vacation or sick pay in these financial statements.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Church is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Net assets with donor restrictions can be restricted for purpose, restricted for time, or restricted in perpetuity. These net assets classifications are described as follows:

*Net Assets Without Donor Restrictions* - not subject to donor-imposed restrictions. Net assets may be designated for specific purposes by action of the Church Council.

*Net Assets With Donor Restrictions* - subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resource be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Adoption of New Accounting Standard

During the year ended December 31, 2020, the Church has adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), as amended. The standard improves the usefulness and understandability of the Church's financial reporting. Analysis of the various provisions of this standard resulted in no significant changes in the way the Church recognized revenue. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

#### Revenue Recognition

The significant revenues of the Church are contributions, grant income, kindergarten and mother's day out tuition and interest and investment income. Contributions are discussed in Note 1 below. Grant income is received from the Public Assistance Grant which is a cost reimbursable grant. Under this grant agreement, revenue is recognized in the year in which the project worksheet (PW) has been obligated by the Federal and/or State awarding agency and the necessary qualifying expenditures have been incurred. The Church recognizes revenue from kindergarten and mother's day out tuition and fees over the course of the year during the month in which the related services are provided to the children. The performance obligation of delivering childcare and educational services is recognized when the services are provided and payment is collected which typically occurs in the same month. Refunds and non-collection of tuition and fees have historically been insignificant. Interest and investment income is recognized monthly over the course of the year based on the market earnings of the investment.

#### Contributions

All contributions are considered available for use without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as donor restricted support, either for time or purpose or in perpetuity, that increases net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends, or purpose of restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

#### Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

### Volunteer Services and Other Noncash Contributions

From time to time, the Church benefits from donated items and services of its members. However, during 2020, the Church did not receive any in kind contribution of assets, material and supplies, or services requiring recognition in these financial statements.

Members of the Church Council and other volunteers have made significant contributions of their time to assist in the Church's operations. The value of this contributed time is not recorded in these financial statements because it is not susceptible to objective measurement or valuation.

### Accounts Receivable

Accounts receivable may consist of grants, contributions, and trade receivables. Management monitors the receivables and assesses the collectability of accounts on a monthly basis. Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, management believes that the effect of the use of direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

### 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. Accordingly, actual results could differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control responses, and such differences may be material.

### Cash and Cash Equivalents and Floating Rate Demand Notes

For purposes of the Statement of Cash Flows, the Church considers all highly liquid investments without donor restrictions with an initial maturity of three months or less to be cash equivalents. The Church invests in interest bearing Floating Rate Demand Notes which can be redeemed at any time. As such, the Floating Rate Demand Notes are included in Cash and Cash Equivalents in these financial statements.

### Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the Statement of Activities. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities accounts will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position and Statement of Activities.

### Property and Equipment

Expenditures for the acquisition of property and equipment are primarily capitalized at cost. The fair value of donated property and equipment is similarly capitalized. Management informed us that the records to support the historical cost of Property and Equipment obtained prior to August 2016 have either not been maintained or were destroyed in a significant flooding event. Furthermore, the Church has not recorded any accumulated depreciation and depreciation expense for its property and equipment in the accompanying financial statements. These items are not considered generally accepted modifications of generally accepted accounting principles as property and equipment should be recorded at historical cost and depreciated over the estimated useful lives.

A summary of fixed assets as of December 31, 2020, follows:

Buildings and Leasehold Improvements	\$ 10,645,295
Equipment, Furnishings and Vehicles	<u>516,812</u>
	11,162,107
Land	<u>2,321,800</u>
	<u><u>\$ 13,483,907</u></u>

#### Functional Allocation of Expenses

The cost of providing the various programs and administrative activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated directly between program services and general and administrative based on actual expenses or time spent and certain costs have been allocated between program services and general and administrative based on management's estimate of time spent on these activities or usage by program or supporting service. Estimated allocations are determined by management on an equitable basis. The expenses that are allocated based on management's estimate of time spent on the activities or usage by program or supporting service include Administrative Personnel, Payroll Taxes, Bank Fees, Utilities, Computer, Equipment, Technology, Insurance, Repairs, Maintenance, Custodial, Security, Training and Conferences.

#### COVID-19 Pandemic

The COVID-19 outbreak in the United States and globally has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. Therefore, uncertainty remains regarding the ongoing impact of the COVID-19 outbreak upon the Church's financial condition and future results of operations, as well as upon the significant estimates and assumptions that may be utilized in reporting certain assets and liabilities.

#### Recent Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*, which will require leases to be recorded as an asset on the balance sheet for the right to use the leased asset and liability for the corresponding lease obligation for leases with terms of more than twelve months. In November 2019, the FASB issued ASU 2019-10 delaying the effective date for non-public companies to fiscal years beginning after December 15, 2020. In response to the COVID-19 pandemic, ASU 2020-05 was issued in June 2020 delaying the effective date for Topic 842 to fiscal years beginning after December 15, 2021. The Church is evaluating the impact the pronouncement may have on the financial statements.

#### Subsequent Events

The management of the Church evaluated subsequent events and transactions for possible recognition or disclosure in the financial statements through December 20, 2021, the date which the financial statements were available to be issued.

**Note 2 - Liquidity and Availability -**

The following reflects the Church's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of Church Council or contractual or donor-imposed restrictions within one year of the statement of financial position date. The designations could be drawn upon if the Church Council approves that action:

Financial Assets at Year End:

Cash and Cash Equivalents:

Cash Held at Financial Institutions	\$ 2,721,076
Floating Rate Demand Notes	<u>1,170,479</u>
	3,891,555

Investments	1,378,225
Grants Receivable	<u>232,303</u>
	5,502,083

Less those unavailable for general expenditures within one year, due to:

Contractual or donor-imposed restrictions:

Restricted by donor with time or purpose restrictions	(577,809)
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Finance Committee Designations:

Operations Assistance, Emergency Reserves, Capital Projects and School, Music, Missions and Discipleship Assistance	<u>(864,316)</u>
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Financial assets available to meet cash needs for general expenditures within one year

\$ 4,059,958

The Church's goal is to maintain liquid financial assets to meet 180 days of operating expenses. The Church invests cash in excess of daily requirements in interest bearing floating rate demand notes and investment accounts held by financial service holding companies.

**Note 3 - Concentrations -**

The Church maintains cash accounts with commercial banks, which are insured by the Federal Deposit Insurance Corporation up to the maximum allowed. Periodically, cash may exceed the federally insured amount. In addition, cash is invested in floating rate demand notes that can be redeemed at any time. The notes are not insured by the Federal Deposit Insurance Corporation or any other insurance and additionally they are not secured by the issuing credit company. Management monitors the financial condition of the banks and credit company on a regular basis, along with their balances in cash to minimize this potential risk.

Contribution and School revenues are derived primarily from the congregation and residents within the geographic area of Denham Springs. Economic conditions that affect Denham Springs could also affect the income of the Church.

Grants Revenues are derived from the Public Assistance Grant and represents 72% of support and revenue.

**Note 4 - Investments -**

At December 31, 2020, the fair values of the Church's investments were as follows:

Equities:

Common Stock	\$ 18,953
Mutual Funds	<u>1,359,272</u>
	<u>\$ 1,378,225</u>

Net unrealized gains of \$248,670 were recognized for the year ended December 31, 2020.

**Note 5 - Fair Value Measurements -**

The fair value measurement accounting literature provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels. Level 1 inputs to the valuation methodology are based on unadjusted quoted prices for identical assets in active markets that the Church has the ability to access. Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets and/or based on inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are unobservable and are based on assumptions market participants would utilize in pricing the asset.

The Church uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. When available, valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis at December 31, 2020:

Level 1 - Common Stock and Mutual Fund Equities- Valued at fair value based on quoted market price of the shares held by the Church at year end.

The Church's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Church believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Church's investments at fair value on a recurring basis as of December 31, 2020:

	Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Equities:				
Common Stock	\$ 18,953	\$ -	\$ -	\$ 18,953
Mutual Funds	<u>1,359,272</u>	<u>-</u>	<u>-</u>	<u>1,359,272</u>
Total Investments	<u>\$ 1,378,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,378,225</u>

**Note 6 - Net Assets with Donor Restrictions and Finance Committee Designations -**

Net assets with donor-imposed restrictions for purpose are used to account for the receipt and disbursement of specific activities (projects) defined by the donor. Following are the funds and amounts classified as net assets with donor restrictions as of December 31, 2020:

Capital Projects	\$ 543,456
Various Ministry, Missions, and Other	<u>34,353</u>
	<u>\$ 577,809</u>

Net assets without donor-imposed restrictions represent resources over which the Church Council has discretionary control and are used to carry out operations of the Church. As of December 31, 2020, \$864,316 of funds as they become available, have been set aside for operations assistance, emergency reserves, capital projects, school, music, missions, and discipleship assistance.

**Note 7 - Net Assets Released from Restrictions -**

Net assets were released from restrictions for the year ended December 31, 2020 for incurring expenses satisfying the restricted purpose:

**Restrictions Accomplished:**

Capital Projects	\$ 709,672
Various Ministry, Missions, and Other	<u>25,563</u>
Total Restrictions Released	<u>\$ 735,235</u>

**Note 8 - Related Party -**

The Church is a member of the Louisiana Baptist Convention (“LBC”) and the Eastern Louisiana Baptist Association (“ELBA”) and cooperates with LBC and ELBA in their mission activities. The Church pays cooperative program dues to LBC and ELBA annually based on a percentage of budgeted income. During the year ended December 31, 2020, cooperative program dues of \$81,324 and \$17,988, respectively, were paid by the Church to LBC and ELBA. These amounts are included as Missions expense in the Statement of Functional Expenses in these financial statements.

**Note 9 - Commitments and Contingencies -**

The Church receives financial assistance directly from a federal agency which is subject to compliance audits under Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and monitoring reviews by the granting agency. As a result, amounts might be subject to disallowance upon acceptance of the audits and monitoring reviews by the federal granting agency.

Litigation

The Church is subject to claims arising in the daily course of its business. While the resolution of such issues is not presently determinable with certainty, the Church is insured for such claims. Management believes that the ultimate resolution of any such matters will not have a significant effect on the Church’s financial position or results of operations.

### Contract Commitments

The Church entered into an architect and construction contract agreement for an addition to the existing Children's Building. The architect agreement totals \$298,531 and the construction contract agreement totals \$3,706,696. As of December 31, 2020, the Church incurred \$249,980 of architect costs and \$194,040 of construction costs related to these agreements. These amounts are included in Construction in Progress on the Statement of Financial Position. Accounts Payable associated with these contracts totaled \$209,073 as of December 31, 2020 and are recorded in Accounts Payable on the Statement of Financial Position.



SUPPLEMENTARY INFORMATION

FIRST BAPTIST CHURCH, DENHAM SPRINGS, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA</u>	<u>Amount of Federal Expenditures</u>
<u>United States Department of Homeland Security</u>		
Passed through Louisiana Governor's Office of Homeland Security and Emergency Preparedness: Public Assistance Grant Program	97.036	<u>\$ 7,792,771</u>
Total Federal Assistance		<u><u>\$ 7,792,771</u></u>

See independent auditor's report.

**FIRST BAPTIST CHURCH, DENHAM SPRINGS, LOUISIANA**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2020

**Note A - Significant Accounting Policies -**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Church as reconciled below. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

**Note B - Indirect Cost Rate Election -**

The Church did not elect to use the 10% de minimis indirect cost rate during the year ended December 31, 2020.

**Note C - Reconciliation of Federal Expenditures**

Federal Assistance Expended as reported on the Schedule of Expenditures of Federal Awards	\$ 7,792,771*
Less: Payments received in current year for prior year expenditures incurred and federally obligated in the prior year	(977,400)
Add: Payments received in the subsequent year for current year expenditures incurred and federally obligated	<u>232,303</u>
Grant Income as reported on the Statement of Activities	<u>\$ 7,047,674</u>

\* Denotes amounts paid to the Church under the Public Assistance Grant during the year ended December 31, 2020.

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Independent Auditor's Report on Internal  
Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Church Council  
First Baptist Church, Denham Springs, Louisiana  
Denham Springs, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of First Baptist Church Denham Springs, Louisiana, (the Church), which comprises the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Church's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Church's internal control. Accordingly, we do not express an opinion on the effectiveness of the Church's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Church's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Church's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Additional matters were communicated to the Council in a separate written communication.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Church's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Church's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Church Council, management, the Office of the Louisiana Legislative Auditor and any cognizant agency and is not intended to be and should not be used by anyone other than these specified parties. However, under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document and its distribution is not limited.

Respectfully submitted,

*Hannis T. Bourgeois, LLP*

Baton Rouge, Louisiana  
December 20, 2021

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Independent Auditor's Report on Compliance  
for Each Major Program and on  
Internal Control Over Compliance  
Required by the Uniform Guidance

To the Church Council  
First Baptist Church, Denham Springs, Louisiana  
Denham Springs, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited First Baptist Church, Denham Springs, Louisiana's ("The Church") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Church's major federal programs for the year ended December 31, 2020. The Church's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Church's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Church's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Church's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Church complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

### **Report on Internal Control Over Compliance**

Management of the Church is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Church's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Church's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the legislative auditor as a public document and its distribution is not limited.

Respectfully submitted,

*Hannia T. Bourgeois, LLP*

Baton Rouge, Louisiana  
December 20, 2021



FIRST BAPTIST CHURCH, DENHAM SPRINGS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(1) Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Qualified.

- Material weakness(es) identified? \_\_\_\_\_ Yes  No
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes  No
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  No

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of the Uniform Guidance? \_\_\_\_\_ Yes  No

Identification of major program:

Federal Grantor/ Pass - Through Grantor/ Program Title	CFDA Number
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United States Department of Homeland Security

Passed through Louisiana Governor's Office of Homeland Security and Emergency Preparedness:

Public Assistance Grant Program	97.036
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- The threshold for distinguishing Types A and B programs was \$750,000.
- The Church was determined to be a high-risk auditee, in accordance with 2 CFR 200.520, as the Church has not been subject to a Uniform Guidance audit in each of the past two years.

(CONTINUED)



**FIRST BAPTIST CHURCH, DENHAM SPRINGS, LOUISIANA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31, 2020

(2) Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards*:

None

(3) Findings Relating to Compliance and Other Matters:

None

(4) Findings and Questioned Cost Related to Federal Awards:

None

**FIRST BAPTIST CHURCH, DENHAM SPRINGS, LOUISIANA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

FOR THE YEAR ENDED DECEMBER 31, 2020

None\*

\*First Baptist Church, Denham Springs, Louisiana was not audited in the prior year.

**FIRST BAPTIST CHURCH, DENHAM SPRINGS, LOUISIANA**

**SCHEDULE OF COMPENSATION, BENEFITS AND  
OTHER PAYMENTS TO THE SENIOR PASTOR**

FOR THE YEAR ENDED DECEMBER 31, 2020

Agency Head Name: Dr. Leo Miller

<u>Purpose</u>	<u>Amount</u>
Compensation, Reimbursements, and Benefits	\$ -

R.S. 24:513 (A) (3) requires reporting of the total compensation, reimbursements, and benefits paid to the agency head or chief executive officer. This law was further amended by Act 642 of the 2015 Regular Session which clarified that nongovernmental or not for profit local auditees are required to report only the compensation, reimbursements, and benefits paid to the agency head or chief executive officer paid from public funds.

This Organization is not required to report the total compensation, reimbursements, and benefits paid to the Senior Pastor as these costs are supported by private funds.



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December 20, 2021

To the Church Council  
First Baptist Church, Denham Springs, Louisiana  
Denham Springs, Louisiana

In planning and performing our audit of the financial statements of First Baptist Church, Denham Springs, Louisiana (the Church) as of and for the year ended December 31, 2020, in accordance with accounting principles generally accepted in the United States of America, we considered the Church's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Church's internal control. Accordingly, we do not express an opinion on the effectiveness of the Church's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated December 20, 2021, on the financial statements of the Church.

We have already discussed these comments and suggestions with various Church personnel and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

#### **Segregation of Duties**

##### *Finding:*

Internal controls are designed to safeguard assets and to help to deter losses from employee dishonesty or error. A fundamental concept in a good system of internal controls is segregation of duties. To the extent possible, duties should be segregated to serve as a check and balance of employee integrity and to maintain the best control system possible. The three duties that should be segregated whenever possible are (1) record keeping (access to general ledger, reconciliations, etc.), (2) custody of assets (check signing ability, access to cash receipts, access to checks that have been signed, etc.) and (3) authorization (authority to order materials, sign contracts, etc.). The basic premise is that no employee

has access to all phases of a transaction. We noted in our current year audit procedures that while the Finance Committee appears actively involved in the monthly review of financial reporting and in the authorization of cash disbursements, there is limited review of unopened bank statements, bank reconciliations, and vendor listing being performed. The accounting function of the Church is relatively limited in number of personnel. In addition, we noted that the Counting Committee does not count cash immediately after collecting. Funds are stored in the safe at the Church whereby the finance director on Monday morning prepares a deposit slip and gives the monies to the committee to count.

Recommendation:

Due to the limited number of financial personnel of the Church, the following procedures should be implemented, at a minimum, to help mitigate the lack of segregation of duties.

- The Finance Committee or a Finance Committee member should review (at least on a quarterly basis) the vendor master file for any changes made during the quarter.
- The Finance Committee or a Finance Committee member should be actively involved in monthly review of bank statements. This member should receive the unopened bank statements or independently access the bank statements online. In addition, they should review the check register and cash receipts activity. This member should also review and approve the monthly bank reconciliations.
- The Finance Committee should remain actively involved in the financial reporting process and in monthly review of financial statements and in the authorization of cash disbursements and payroll.
- The Counting Committee should collect the funds and count and log receipts following the Sunday service. The Committee should store the funds in the Church safe overnight. On Monday morning, a deposit slip should be prepared and funds taken to the bank. Count log, deposit slip, and bank receipt should be reconciled and agreed to one another. Upon receipt of the bank statement, the deposit should be agreed to the bank statement.

**Bank Reconciliations**

Finding:

It was noted in our current year cash audit procedures that the bank reconciliations contained unreconciled differences from the general ledger. We noted that one bank account had a \$17,286 difference in the reconciliation and general ledger balance that appeared to be related to previous years. In addition, outstanding checks over 2 years old were listed on the reconciliation in the amount of \$17,471. Management has not determined whether the outstanding items are properly included on the reconciliation. A passed adjustment was recorded to reflect this difference. We also noted that checks dated and paid in January of the following year were recorded in the general ledger as cash disbursements and were not reflected in the bank reconciliations totaling \$70,246. Upon further investigation, it was determined that these amounts were for checks paid in the following year for current year expenses and should have been included in accounts payables in the financial statements

as of December 31, 2020. Adjustments were made to the financial statements to record these checks as Accounts Payable for the year ended December 31, 2020.

Recommendation:

We recommend that the management of the church review the bank reconciliations monthly for accuracy and agreement to the general ledger. If differences are noted they should be investigated, and appropriate adjustments recorded. Any uncleared items that are aged greater than one year should be investigated and cleared if needed or submitted to unclaimed property with the state for each of the applicable vendors as required. In addition, payments disbursed should be recorded against cash in the proper accounting period based on date paid. If an item is paid in the following year for current year costs incurred, it should be reflected in payables in the year end general ledger balance.

Property and Equipment

**Finding**

A detailed fixed assets listing has not been maintained. In addition, the general ledger accounts have not been reconciled to a listing of fixed assets. Assets lost in the 2016 flood have not been removed from the fixed asset general ledger accounts. Certain historical cost records, most notably the land values, were destroyed in the 2016 flood and have not been obtained from the original vendor or the State.

**Recommendation**

We recommend the Church prepare and maintain a detailed listing of fixed assets in service using historical cost records. The fixed asset general ledger accounts should be reconciled to this listing, adding or deleting assets, as necessary. We further recommend that historical cost records for assets obtained prior to 2016, still in service, be retrieved or obtained from the original vendor or the State. Once a schedule is prepared consider recording depreciation if practical.

This report is intended solely for the use of First Baptist Church, Denham Springs, Louisiana, and the Church Council of First Baptist Church, Denham Springs, Louisiana, the Office of the Louisiana Legislative Auditor and any cognizant agency and is not intended to be, and should not be, used by anyone other than these specified parties. However, under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the legislative auditor as a public document and its distribution is not limited.

Respectfully submitted,

*Hannia T. Bourgeois, LLP*