

SOVEREIGN GRACE CHURCHES, INC.
AUDITED FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2019 AND 2018

Sovereign Grace Churches, Inc.

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Independent Auditor's Report

Executive Committee of the Council of Elders
Sovereign Grace Churches, Inc.
Louisville, Kentucky

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We have audited the accompanying financial statements of **Sovereign Grace Churches, Inc.** (a nonprofit organization), which comprise the Statements of Financial Position as of August 31, 2019 and 2018, and the related Statements of Activities and Changes in Net Assets and Cash Flows for the years then ended, the Statement of Functional Expenses for the year ended August 31, 2019, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Sovereign Grace Churches, Inc.** as of August 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Aronson LLC

Rockville, Maryland
January 10, 2020

Sovereign Grace Churches, Inc.

Statements of Financial Position

<i>August 31,</i>	2019	2018
Assets		
Current assets		
Cash and cash equivalents	262,163	\$ 759,878
Investments	1,614,237	1,024,571
Accounts receivable - trade	200,723	114,047
Prepaid expenses	26,809	42,075
Inventory	160,525	114,803
Total current assets	2,264,457	2,055,374
Property and equipment		
Buildings	2,090,932	2,090,932
Furniture, fixtures and equipment	600,832	601,187
Total	2,691,764	2,692,119
Less: Accumulated depreciation and amortization	(1,493,969)	(1,422,549)
Net property and equipment	1,197,795	1,269,570
Other assets		
Deposits and other assets	9,841	10,191
Total other assets	9,841	10,191
Total assets	\$ 3,472,093	\$ 3,335,135

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Sovereign Grace Churches, Inc.

Statements of Financial Position (continued)

<i>August 31,</i>	2019	2018
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 142,952	\$ 86,569
Deferred revenue	42,848	74,723
Deferred rent, current portion	5,405	2,980
Total current liabilities	191,205	164,272
Deferred rent, net of current portion	19,983	25,388
Total liabilities	211,188	189,660
Net assets without restrictions		
Board designated	115,000	165,000
Undesignated	2,297,318	2,366,987
Total net assets without restrictions	2,412,318	2,531,987
Net assets with restrictions	848,587	613,488
Total net assets	3,260,905	3,145,475
Total liabilities and net assets	\$ 3,472,093	\$ 3,335,135

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Sovereign Grace Churches, Inc.

Statement of Activities and Changes in Net Assets

Year Ended August 31, 2019

	Without Restrictions	With Restrictions	Total
Support and Revenue			
Contributions - churches	\$ 1,728,060	\$ 235,099	\$ 1,963,159
Contributions - other	272,916	-	272,916
Music and book sales, net	235,704	-	235,704
Music and book royalties	239,903	-	239,903
Tuition and fees	90,850	-	90,850
Conference receipts	167,532	-	167,532
Investment income	48,683	-	48,683
Other income	109,946	-	109,946
Total support and revenue	2,893,594	235,099	3,128,693
Expenses			
Program services			
U.S. church missions	967,384	-	967,384
Global church missions	462,581	-	462,581
Pastoral training	434,322	-	434,322
Conferences	249,321	-	249,321
Ministry resources	469,079	-	469,079
Total program services	2,582,687	-	2,582,687
Supporting services			
Fundraising	21,973	-	21,973
General and administrative	408,603	-	408,603
Total supporting services	430,576	-	430,576
Total expenses	3,013,263	-	3,013,263
Change in net assets	(119,669)	235,099	115,430
Net assets, beginning of year	2,531,987	613,488	3,145,475
Net assets, end of year	\$ 2,412,318	\$ 848,587	\$ 3,260,905

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Sovereign Grace Churches, Inc.

Statement of Activities and Changes in Net Assets

Year Ended August 31, 2018

	Without Restrictions	With Restrictions	Total
Support and Revenue			
Contributions - churches	\$ 1,691,370	\$ 263,013	\$ 1,954,383
Contributions - other	462,489	-	462,489
Music and book sales, net	181,580	-	181,580
Music and book royalties	273,502	-	273,502
Tuition and fees	79,450	-	79,450
Conference receipts	132,493	-	132,493
Investment income	14,699	-	14,699
Other income	247,866	-	247,866
Net assets released from restrictions	7,181	(7,181)	-
Total support and revenue	3,090,630	255,832	3,346,462
Expenses			
Program services			
U.S. church missions	1,178,420	-	1,178,420
Global church missions	340,342	-	340,342
Pastoral training	400,161	-	400,161
Conferences	243,481	-	243,481
Ministry resources	376,883	-	376,883
Total program services	2,539,287	-	2,539,287
Supporting services			
Fundraising	44,327	-	44,327
General and administrative	408,121	-	408,121
Total supporting services	452,448	-	452,448
Total expenses	2,991,735	-	2,991,735
Change in net assets	98,895	255,832	354,727
Net assets, beginning of year	2,433,092	357,656	2,790,748
Net assets, end of year	\$ 2,531,987	\$ 613,488	\$ 3,145,475

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Sovereign Grace Churches, Inc.

Statement of Functional Expenses

Year Ended August 31, 2019

	Program Services						Supporting Services			Total
	U.S. Church Missions	Global Church Missions	Pastoral Training	Conferences	Ministry Resources	Total	Fundraising	General and Administrative	Total	
Expenses										
Compensation and benefits	\$ 448,996	\$ 127,444	\$ 289,308	\$ 108,987	\$ 314,244	\$ 1,288,979	\$ -	\$ 219,979	\$ 219,979	\$ 1,508,958
Cost of goods sold	-	-	-	-	77,926	77,926	-	-	-	77,926
Gifts and grants	236,927	239,610	3,016	12,685	-	492,238	-	569	569	492,807
Travel and training	252,766	84,952	48,746	60,493	22,806	469,763	-	18,179	18,179	487,942
Office expense	5,545	645	5,799	6,208	4,015	22,212	7,106	2,355	9,461	31,673
Insurance	368	7,291	5,698	2,147	8,273	23,777	-	3,497	3,497	27,274
Promotion	-	-	-	2,221	22,586	24,807	7,309	-	7,309	32,116
Information technology	5,610	2,009	8,653	3,492	20,548	40,312	2,333	13,973	16,306	56,618
Sound, video, and lighting	600	-	58	32,567	5,110	38,335	-	-	-	38,335
Building occupancy	2,475	4	63,049	9,904	26,806	102,238	-	37,085	37,085	139,323
Other expense	14,008	298	5,341	9,408	33,203	62,258	5,225	55,309	60,534	122,792
Depreciation and amortization	89	328	4,654	1,209	11,488	17,768	-	57,657	57,657	75,425
Total expenses	967,384	462,581	434,322	249,321	547,005	2,660,613	21,973	408,603	430,576	3,091,189
Less: Cost of goods sold included with revenues in the Statement of Activities and Changes in Net Assets	-	-	-	-	(77,926)	(77,926)	-	-	-	(77,926)
Total expenses reported in the Statement of Activities and Changes in Net Assets	\$ 967,384	\$ 462,581	\$ 434,322	\$ 249,321	\$ 469,079	\$ 2,582,687	\$ 21,973	\$ 408,603	\$ 430,576	\$ 3,013,263

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Sovereign Grace Churches, Inc.

Statements of Cash Flows

<i>Years Ended August 31,</i>	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 115,430	\$ 354,727
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	75,425	71,952
Unrealized and realized (gain) loss on investments	(9,444)	699
(Gain) on disposal of property and equipment	-	(3,204)
(Increase) decrease in		
Accounts receivable - trade	(86,676)	(19,236)
Prepaid expenses	15,266	14,674
Inventory	(45,722)	25,022
Deposits and other assets	350	12,849
(Decrease) increase in		
Accounts payable and accrued expenses	56,383	(13,788)
Deferred revenue	(31,875)	(35,884)
Deferred rent	(2,980)	11,689
Net cash provided by operating activities	86,157	419,500
Cash flows from investing activities		
Purchase of investments	(1,410,272)	(2,207,467)
Proceeds from sales of investments	830,050	1,638,456
Purchase of property and equipment	(3,650)	(41,576)
Proceeds from sales of property and equipment	-	3,204
Net cash used by investing activities	(583,872)	(607,383)
Cash flow from financing activities		
Decrease in restricted cash	-	100,089
Net cash provided by financing activities	-	100,089
Net change in cash and cash equivalents	(497,715)	(87,794)
Cash and cash equivalents at beginning of year	759,878	847,672
Cash and cash equivalents at end of year	\$ 262,163	\$ 759,878

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Sovereign Grace Churches, Inc.

Notes to Financial Statements

1. Organization and significant accounting policies

Organization: Sovereign Grace Churches, Inc. (SGC) is a Maryland nonprofit corporation headquartered in Louisville, Kentucky. SGC is an association of churches operated exclusively for religious, charitable and educational purposes. SGC is a family of churches who partner together to advance the gospel of Jesus Christ through planting and strengthening churches, training pastors, producing resources, and engaging in missions throughout the world.

Basis of presentation: The financial statements of SGC have been prepared on the accrual basis of accounting whereby revenue and support are recognized when earned and expenses are recognized when incurred. Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions and reported as follows:

Net assets without donor restrictions – net assets that are not subject to donor-imposed stipulations. Includes undesignated net assets available for general operations and board designated net assets.

In October 2017, a Board Designated Reserve of \$250,000 was established for church planting to keep church planting a priority and to ensure plans for future church plants are not limited by an annual budget. This reserve is the funding source for church plant grants when total grants exceed the annual budget for grants in a fiscal year. For the year ended August 31, 2019, total church planting grants of \$100,000 exceeded the budget of \$50,000 by \$50,000. The reserve was reduced to \$115,000 accordingly.

Net assets with donor restrictions – net assets subject to donor-imposed stipulations that will be met either by actions of SGC and/or the passage of time. Donor-restricted contributions are classified as net assets without donor restrictions when restrictions are met in the same reporting period in which the contributions are received. As of August 31, 2019 and 2018, there were no net assets that were subject to donor imposed stipulations that were permanent in nature.

Cash and cash equivalents: SGC classifies all highly liquid investments, with original maturities of less than ninety days, as cash equivalents. Cash and cash equivalents consist of demand deposit accounts and money market accounts. SGC maintains cash balances which may exceed federally insured limits. SGC does not believe that this results in any significant credit risk.

Investments: Investments consist of federal government bonds and notes, mortgage backed securities, certificates of deposit, and unit investment trusts which are stated at fair value. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is recorded as unrestricted income, unless restricted by donor or law.

Sovereign Grace Churches, Inc.

Notes to Financial Statements

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes gains and losses on investments bought and sold as well as held during the year.

In 2018, SGC placed \$100,000 in collateral within their investments accounts with Fifth Third Securities in exchange for \$100,000 of credit in a commercial credit card purchasing program.

Accounts receivable: The face amount of accounts receivable is reduced by an allowance for doubtful accounts, if needed. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience and specific allowances for known troubled accounts. All accounts or portion thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts. Management believes that all accounts receivable are fully collectible; therefore, there is no provision for doubtful accounts in the accompanying financial statements.

Inventory: Inventory consists of books and CDs held for resale to members of related churches and the general public. Inventory is valued at the lower of cost or net realizable value, with cost determined on a weighted average basis.

Property and equipment: Property and equipment greater than \$3,000 are capitalized at original cost or estimated fair value in the case of donated assets. Depreciation is calculated on the straight-line method over estimated useful lives of three to ten years for personal property and ten to forty years for the building and improvements. Depreciation and amortization expense was \$75,425 and \$71,952 for the years ended August 31, 2019 and 2018, respectively.

SGC capitalized a payment of \$1,890,190 to Covenant Life Church, Inc. (CLC) for its right to use 17,125 square feet of buildings and improvements, located in Gaithersburg, Maryland, placed in service by CLC beginning August 1, 2002. An agreement was established between SGC and CLC under which SGC is given use of the building for successive terms of ninety-nine years and CLC provides all services, maintenance and repairs required for the upkeep of the property. SGC reimburses CLC for its share of these expenses at a mutually agreed upon rate, determined annually. The agreement contains a termination provision allowing either party to end the agreement after giving 24 months' written notice. If CLC was to terminate the agreement, the buyout shall be equal to the greater of 85% of the estimated fair market value of the premises or the original payment adjusted yearly by the annual percentage change in the Consumer Price Index.

Sovereign Grace Churches, Inc.

Notes to Financial Statements

If SGC was to terminate the agreement, the buyout shall be equal to the lesser of 45% of the estimated fair market value of the premises or the original payment adjusted yearly by the annual percentage change in the Consumer Price Index. Neither CLC nor SGC have submitted written notice to terminate the agreement.

In August 2012, SGC relocated its primary offices to Louisville, Kentucky. SGC continues to maintain its interest in the building. Starting in September 2012, CLC began paying rent for use of a portion of the SGC space. The lease is operated on a month to month basis. SGC received \$22,800 and \$19,000, from CLC in rental income for the years ended August 31, 2019 and 2018, respectively.

Assets held for use: SGC evaluates long-lived assets held for use for impairment based upon comparison of the undiscounted future net cash flows for the asset to the net book value when an indicator of impairment is observed. These evaluations for impairment are significantly impacted by estimates of revenue, costs and expenses, sales rates and other factors. If the net book value is greater than the future undiscounted cash flow, SGC records an impairment adjustment to reduce its asset cost basis to its fair value.

During the years ended August 31, 2019 and 2018, SGC recorded no impairment adjustments on assets held for use.

Deferred revenue: Consists of conference registration receipts and pastors college tuition received in advance.

Deferred rent: SGC recognizes the minimum non-contingent rents required under operating leases as rent expenses on a straight-line basis over the life of the lease, with differences between amounts recognized as expense and the amounts actually paid recorded as deferred rent on the accompanying Statements of Financial Position.

Revenue recognition:

Contributions – SGC recognizes all contributions, including unconditional promises to give, as support in the period pledged or received. Contributions restricted as to their use are recognized as net assets with donor restrictions until these funds have been disbursed or committed as the donor intended.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Music and book sales – Sale of books and CDs are recorded as revenue at the time the item is shipped or downloaded.

Sovereign Grace Churches, Inc.

Notes to Financial Statements

Music and book royalties – Revenue is recognized based on the contract terms.

Tuition and fees – Amounts received as tuition for the upcoming school year are recognized as revenue ratably over the school year.

Conference receipts – Amounts received as registration for future events are recognized as revenue when the event occurs.

Other income – Consists mostly of conference administrative services and rental fees. All are recognized when the services are performed or when earned.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses that are allocated include the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Compensation and benefits	Direct allocation & percentage of compensation and benefits
Gifts and grants	Direct allocation & percentage of compensation and benefits
Travel and training	Direct allocation & percentage of compensation and benefits
Office expenses	Direct allocation & percentage of compensation and benefits
Insurance	Direct allocation & percentage of compensation and benefits
Information technology	Direct allocation & percentage of compensation and benefits
Building occupancy	Direct allocation & percentage of compensation and benefits
Other expense	Direct allocation & percentage of compensation and benefits
Depreciation and amortization	Direct allocation & percentage of compensation and benefits

Sovereign Grace Churches, Inc.

Notes to Financial Statements

Income taxes: SGC is a nonprofit organization that is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC), and is classified as an organization which is not a private foundation.

SGC evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of August 31, 2019 and 2018, there are no accruals for uncertain tax positions. If applicable, SGC records interest and penalties as a component of income tax expense. Tax years from 2016 through the current year remain open for examination by tax authorities.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently adopted accounting standards: On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. SGC has adopted ASU 2016-14 and have adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. ASU 2016-14 contains limited retroactive restatement requirements. The Organization has exercised the option to omit the prior year Statement of Functional Expenses.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation. There is no impact on net assets or changes in net assets as a result of the reclassifications.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through January 10, 2020, which is the date the financial statements were available to be issued.

Sovereign Grace Churches, Inc.

Notes to Financial Statements

2. Liquidity and availability of resources

The following reflects SGC’s financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use because of donor imposed restrictions within one year of the Statement of Financial Position date, or because of an internal board designation. SGC strives to maintain total net financial assets sufficient to cover 90 to 180 days of general expenditures, which are estimated at \$625,000 to \$1,250,000. Financial assets in excess of daily cash requirements are invested in various instruments which are sources of liquidity. These include certificates of deposit, money market funds, U.S. Treasuries, other short-term investments, mortgage-backed securities, and marketable debt and equity securities.

	2019	2018
Cash and cash equivalents	\$ 262,163	\$ 759,878
Investments	1,614,237	1,024,571
Accounts receivable - trade	200,723	114,047
Total financial assets	2,077,123	1,898,496
Donor-imposed restrictions		
Net assets with donor restrictions	(848,587)	(613,448)
Investments held as collateral	(100,000)	(100,000)
Net financial assets after donor-imposed restrictions	1,128,536	1,185,048
Internal designations		
Board designated church planting reserve	(115,000)	(165,000)
Net financial assets available to meet cash needs for general expenditures within one year	\$ 1,013,536	\$ 1,020,048

3. Investments

Investments are presented in the financial statements at fair market value. The following is a summary of the investments as of August 31:

	2019	2018
Federal government bonds and notes	\$ 904,812	\$ 792,404
Mortgage backed securities	100,715	232,167
Certificates of deposit	490,039	-
Unit investment trusts	118,671	-
Total	\$ 1,614,237	\$ 1,024,571

4. Fair value

SGC values its investments at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Sovereign Grace Churches, Inc.

Notes to Financial Statements

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in the fair value methodologies used at August 31, 2019 and 2018.

The fair value of investments as of August 31, is as follows:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	No Quoted Prices In Active Markets nor Observable Inputs (Level 3)
August 31, 2019	Total			
Federal government bonds and notes	\$ 904,812	\$ -	\$ 904,812	\$ -
Mortgage backed securities	100,715	-	100,715	-
Certificates of deposit	490,039	-	490,039	-
Unit investment trusts	118,671	118,671	-	-
Total	\$ 1,614,237	\$ 118,671	\$ 1,495,566	\$ -
August 31, 2018				
Federal government bonds and notes	\$ 792,404	\$ -	\$ 792,404	\$ -
Mortgage backed securities	232,167	-	232,167	-
Total	\$ 1,024,571	\$ -	\$ 1,024,571	\$ -

Sovereign Grace Churches, Inc.

Notes to Financial Statements

Level 2 values for federal government bonds and notes, and mortgage backed securities, were developed utilizing fluctuations in the attached indices or basket funds from the inception date to the maturity date. Values for certificates of deposit were developed utilizing the current interest rates with similar time to maturity, discounting the future payments to present value at year end. Indexed certificates of deposit values were developed utilizing fluctuations in the attached indices or basket funds from the instrument's inception date to the maturity date.

5. Operating lease

SGC entered into a commercial lease for 7,619 square feet of office space at 10509 Timberwood Circle, Louisville, Kentucky. The date of occupancy was July 10, 2017. The lease expires on October 31, 2022. The agreement included three months of rent abatement. A liability was accrued such that the rent expense was recognized on a straight-line basis over the life of the agreement. Rent expense under the lease agreement was \$117,082 for both the years ended August 31, 2019 and 2018, respectively.

The following is a schedule of future minimum lease payments:

Year ending August 31,

2020	\$	122,488
2021		124,926
2022		127,428
2023		21,308
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Total	\$	396,150

6. Net assets with donor restrictions

Net assets with donor restrictions were available for the following purposes as of August 31:

	<hr/>	
	2019	2018
U.S. church regions	\$ 848,587	\$ 613,488
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Total net assets with donor restrictions	\$ 848,587	\$ 613,488

Sovereign Grace Churches, Inc.

Notes to Financial Statements

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the passage of time as follows for the years ended August 31:

	2019	2018
U.S. church regions	\$ 509,103	\$ 468,345
Hurricane Harvey Relief Fund	-	87,523
Total release of restrictions	509,103	555,868
Less: Amounts received and released in the same fiscal year	(509,103)	(548,687)
Total releases presented on the Statements of Activities and Changes in Net Assets	\$ -	\$ 7,181

7. Retirement plan

SGC maintains a retirement plan that is qualified under Section 403(b) of the Internal Revenue Code. The plan covers all full-time employees. SGC will match each participant's salary deferred contribution to the plan based upon a formula outlined in the plan document, up to a maximum employer contribution of 3% of compensation. Employees vest immediately in all employer contributions to the plan. Retirement plan expense for the years ended August 31, 2019 and 2018 was \$17,767 and \$17,234, respectively.

For the pastoral staff who are not participating in the social security system, SGC also provides an amount equal to what would have been the normal employer Social Security and Medicare contribution (currently 7.65% of salary), which is then to be used to purchase any combination of life insurance, disability insurance, and retirement investments. SGC paid \$29,975 and \$29,159 for the years ended August 31, 2019 and 2018, respectively.

8. Commitments and contingencies

During the normal course of business, SGC has entered into agreements with a hotel to reserve room and facility space for future meetings scheduled to be held through 2022. In the event of cancellation, SGC is required to pay various costs of hotel rooms as stipulated in the contracts, the amounts of which are dependent upon the date of cancellation. As of August 31, 2019, such commitments are approximately \$274,000.