



FAITH BIBLE CHURCH

FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2020 AND 2019





INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Board of Elders
Faith Bible Church
The Woodlands, Texas

We have reviewed the accompanying financial statements of Faith Bible Church ("the Church"), which consist of the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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 engagements 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 accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Battis Morrison Wales & Lee, P.A.

BATTIS MORRISON WALES & LEE, P.A.

Plano, Texas
July 15, 2020

FAITH BIBLE CHURCH
STATEMENTS OF FINANCIAL POSITION

ASSETS

	March 31,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,626,539	\$ 1,747,738
Investments	381,678	387,311
Certificates of deposit	100,000	100,000
Other assets	74,448	13,053
Property and equipment, net	18,439,488	18,818,433
Total assets	\$ 20,622,153	\$ 21,066,535

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and other liabilities	\$ 11,453	\$ 86,908
Note payable	3,258,194	4,145,157
Total liabilities	3,269,647	4,232,065

NET ASSETS

Without donor restrictions		
Undesignated	1,355,600	1,213,028
Board designated	481,678	487,311
Designated for property and equipment	15,181,294	14,673,276
Total net assets without donor restrictions	17,018,572	16,373,615
With donor restrictions	333,934	460,855
Total net assets	17,352,506	16,834,470
Total liabilities and net assets	\$ 20,622,153	\$ 21,066,535

FAITH BIBLE CHURCH
STATEMENTS OF ACTIVITIES

	For the Year Ended March 31, 2020			For the Year Ended March 31, 2019
	Without donor restrictions	With donor restrictions	Total	
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS				
Contributions without donor restrictions	\$ 5,695,994	\$ —	\$ 5,695,994	\$ 5,468,407
Contributions with donor restrictions	—	435,500	435,500	466,173
Other revenue without donor restrictions	211,067	—	211,067	195,795
Other revenue with donor restrictions	—	31,093	31,093	—
Investment income	12,165	—	12,165	18,172
Net assets released from restrictions	<u>593,514</u>	<u>(593,514)</u>	<u>—</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>6,512,740</u>	<u>(126,921)</u>	<u>6,385,819</u>	<u>6,148,547</u>
EXPENSES				
Program activities	4,772,640	—	4,772,640	4,300,483
Supporting activities	<u>1,095,143</u>	<u>—</u>	<u>1,095,143</u>	<u>1,161,875</u>
Total expenses	<u>5,867,783</u>	<u>—</u>	<u>5,867,783</u>	<u>5,462,358</u>
Change in net assets without donor restrictions	644,957	—	644,957	735,464
Change in net assets with donor restrictions	<u>—</u>	<u>(126,921)</u>	<u>(126,921)</u>	<u>(49,275)</u>
CHANGE IN NET ASSETS	644,957	(126,921)	518,036	686,189
NET ASSETS - Beginning of year	<u>16,373,615</u>	<u>460,855</u>	<u>16,834,470</u>	<u>16,148,281</u>
NET ASSETS - End of year	<u>\$ 17,018,572</u>	<u>\$ 333,934</u>	<u>\$ 17,352,506</u>	<u>\$ 16,834,470</u>

See Accompanying Notes and Independent Accountant's Review Report

FAITH BIBLE CHURCH
STATEMENTS OF CASH FLOWS

	For the Years Ended	
	March 31,	
	2020	2019
OPERATING CASH FLOWS		
Cash received from contributors	\$ 5,985,629	\$ 5,778,153
Other income received	259,958	195,795
Cash paid for operating activities and costs	(5,286,690)	(4,675,613)
Interest paid	(145,731)	(170,336)
Net operating cash flows	813,166	1,127,999
INVESTING CASH FLOWS		
Proceeds from sales of investments	—	100,000
Purchases of certificates of deposit	—	(100,000)
Purchases of and improvements to property and equipment	(193,267)	(569,997)
Net investing cash flows	(193,267)	(569,997)
FINANCING CASH FLOWS		
Proceeds from contributions restricted for long-term purposes	145,865	156,427
Borrowings	—	237,600
Principal repayments	(886,963)	(567,443)
Net financing cash flows	(741,098)	(173,416)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(121,199)	384,586
CASH AND CASH EQUIVALENTS - Beginning of year	1,747,738	1,363,152
CASH AND CASH EQUIVALENTS - End of year	\$ 1,626,539	\$ 1,747,738

FAITH BIBLE CHURCH
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended March 31, 2020

	Program activities	Supporting activities	Total expenses
Salaries and benefits	\$ 1,724,742	\$ 624,591	\$ 2,349,333
Missions	857,460	—	857,460
Depreciation and interest	574,355	143,589	717,944
Utilities and maintenance	479,860	119,965	599,825
Fees and professional services	372,184	34,724	406,908
Office expenses and supplies	297,732	28,511	326,243
Departmental ministry expense	317,012	1,490	318,502
Media and special events	66,526	69,410	135,936
Communications	246	59,613	59,859
Insurance	34,275	8,569	42,844
Meals and hospitality	30,928	1,705	32,633
Professional development	17,320	2,976	20,296
Total	<u>\$ 4,772,640</u>	<u>\$ 1,095,143</u>	<u>\$ 5,867,783</u>

FAITH BIBLE CHURCH
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended March 31, 2019

	Program activities	Supporting activities	Total expenses
Salaries and benefits	\$ 1,375,351	\$ 706,271	\$ 2,081,622
Missions	732,065	—	732,065
Depreciation and interest	581,272	145,318	726,590
Utilities and maintenance	446,600	111,650	558,250
Fees and professional services	420,577	54,105	474,682
Departmental ministry expense	339,676	1,455	341,131
Office expenses and supplies	219,950	29,712	249,662
Media and special events	80,974	53,223	134,197
Communications	2,496	48,306	50,802
Professional development	40,435	1,958	42,393
Insurance	32,720	8,180	40,900
Meals and hospitality	28,367	1,697	30,064
Total	<u>\$ 4,300,483</u>	<u>\$ 1,161,875</u>	<u>\$ 5,462,358</u>

FAITH BIBLE CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES

Faith Bible Church (“the Church”) is a Texas not-for-profit corporation. The Church exists to glorify Jesus Christ by proclaiming the gospel, engaging in Christian activities, performing acts of service, and bringing relief to people in need within the church family, within the community, and around the world. The Church conducts numerous activities in accomplishing its purpose, including worship services, educational training, child care, evangelistic efforts, support of missionary endeavors, and other similar activities. The Church is located in The Woodlands, Texas.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Church recognizes cash contributions when the contributions are received by the Church. Contributions received are recorded as without or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a 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 statements of activities as “net assets released from restrictions.”

Cash and cash equivalents

Investment instruments purchased or donated with original maturities of three months or less are considered to be cash equivalents.

Investments

Investments consist primarily of mutual funds and exchange-traded funds and are carried at estimated fair value. For fair value measurement purposes, such amounts are valued using “Level 1” inputs (i.e., carrying values are based on unadjusted quoted market prices in active markets for identical items).

Certificates of deposit

The Church’s certificates of deposit mature through July 2022 and include interest rates up to 3.15% per annum.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets.

Net assets

Net assets without donor restrictions are available for use at the discretion of the Board of Elders and/or management for general operating purposes. Board designated net assets consist of amounts designated by the Board of Elders for contingency purposes. Net assets with donor restrictions consist of amounts with uses limited by donor-imposed time and/or purpose restrictions.

Income taxes

The Church is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to Texas law. The Church is further classified as a public charity and not as a private foundation for federal tax purposes. The Church has not incurred unrelated business income taxes. As a result, no income tax liability has been provided for in the accompanying financial statements.

Use of estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those related to the estimated fair value of investments, the useful lives of property and equipment, and the estimated fair value of interest rate swap contracts. Actual results could differ from the estimates.

FAITH BIBLE CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional allocation of expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the functional areas based primarily on employee time and space utilization.

Reclassifications

Certain amounts included in the financial statements as of and for the year ended March 31, 2019 have been reclassified to conform to classifications adopted during the year ended March 31, 2020. The reclassifications had no material effect on the accompanying financial statements.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year of the date of the statements of financial position are as follows:

	March 31,	
	2020	2019
Cash and cash equivalents	\$ 1,626,539	\$ 1,747,738
Investments – including certificates of deposit	481,678	487,311
Total financial assets available within one year	2,108,217	2,235,049
Less:		
Amounts unavailable to management without Elder approval	(481,678)	(487,311)
Net financial assets available within one year	\$ 1,626,539	\$ 1,747,738

The Church is primarily supported by contributions. As part of the Church’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Board of Elders has designated certain amounts for contingency purposes. Because of the nature of the designations, these amounts may not be available for general expenditure within one year; however, the Board of Elders could make them available, if necessary. The Church’s donor-restricted net assets are available for general expenditure within one year because the restrictions on the net assets are expected to be met by conducting the normal activities of the Church’s programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditure within one year. Management believes the Church has sufficient financial assets available for general operations that may be drawn upon in the event of unanticipated financial distress or an immediate liquidity need.

NOTE D – CONCENTRATIONS

The Church maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Church has not experienced any losses in such accounts, and the Church believes it is not exposed to any significant credit risk related to cash and cash equivalents.

The Church’s note payable is held by one financial institution.

FAITH BIBLE CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Category</u>	<u>March 31,</u>	
	<u>2020</u>	<u>2019</u>
Land	\$ 953,234	\$ 953,234
Buildings and building improvements	22,249,686	22,096,784
Construction in progress	<u>121,350</u>	<u>80,985</u>
Total property and equipment	23,324,270	23,131,003
Less: Accumulated depreciation	<u>(4,884,782)</u>	<u>(4,312,570)</u>
Net property and equipment	<u>\$ 18,439,488</u>	<u>\$ 18,818,433</u>

Depreciation expense amounted to approximately \$572,000 and \$557,000 during the years ended March 31, 2020 and 2019, respectively.

NOTE F - NOTE PAYABLE

The Church's note payable is payable to a financial institution and requires monthly principal payments of \$19,344 along with monthly interest payments at the one-month LIBOR rate plus 1.50% per annum (approximately 3.02% and 3.99% at March 31, 2020 and 2019, respectively). The note is secured by certain real property and matures in February 2027.

Future maturities of the note payable are approximately as follows:

<u>Year Ending</u> <u>March 31,</u>	
2021	\$ 232,000
2022	232,000
2023	232,000
2024	232,000
2025	232,000
Thereafter	<u>2,098,000</u>
Total	<u>\$ 3,258,000</u>

Interest expense was approximately \$146,000 and \$170,000 during the years ended March 31, 2020 and 2019, respectively.

NOTE G - INTEREST RATE SWAP CONTRACTS

The Church has entered into certain interest rate swap contracts with a financial institution to reduce the impact of changes in the variable rates of its note payable. The interest rate swap contracts mature at various dates through December 2025. As of March 31, 2020 and 2019, the contracts effectively fix the Church's annual interest rate exposure on declining notional amounts totaling \$2,825,000 to 4.04% per annum plus certain annual fees and costs.

The estimated fair value of the interest rate swap contracts is estimated based on the amount needed to settle the agreements as calculated by the counterparty to the agreements. Such calculations were based on market conditions, including prevailing interest rates, and take into consideration expectations regarding interest rate movements, the remaining terms of the agreements, and other factors. The Church

FAITH BIBLE CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE G – INTEREST RATE SWAP CONTRACTS (Continued)

is exposed to credit loss in the event of nonperformance by the other party to the interest rate swap contracts. However, the Church does not anticipate nonperformance by the counterparty. Management has determined that the estimated fair value of all interest rate swap contracts is immaterial to the Church’s financial statements.

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Category	March 31,	
	2020	2019
Missions fund	\$ 86,846	\$ 242,929
Benevolence ministries fund	72,739	94,666
Adoption and foster care fund	65,868	58,282
Medical fund	65,136	17,350
Other funds	43,345	47,628
Total net assets with donor restrictions	\$ 333,934	\$ 460,855

Net assets released from donor restrictions amounted to \$515,448 during the year ended March 31, 2019.

NOTE I – RETIREMENT PLAN

The Church has adopted a 403(b) retirement plan (“the Plan”) for the benefit of eligible employees. Employees are eligible to participate upon meeting the eligibility requirements described in the Plan document. The Plan allows the Church to provide discretionary contributions. The Church contributed approximately \$67,000 each year to the Plan during the years ended March 31, 2020 and 2019.

NOTE J – SUBSEQUENT EVENTS

In January 2020, the World Health Organization (“WHO”) announced a global health emergency related to the outbreak of a virus originating in China. In March 2020, WHO elevated the classification of the outbreak to a pandemic (“the pandemic”). Management is closely monitoring the potential impact of the pandemic on the Church’s financial condition and has taken actions to mitigate its impact. Such actions include availing the Church of relief measures available under federal law and reducing the overall scope and cost of operations. Because of the unknown impact on global commerce, management is not able to estimate the effects of the pandemic on its operating results, financial condition, or liquidity for the year ending March 31, 2021.

Subsequent to year-end, the Church obtained a Paycheck Protection Program loan in the approximate amount of \$503,000. Pursuant to federal law, the loan amount may be forgiven in whole or in part based on the nature of the Church’s expenditures during an applicable period. Management expects that all or a significant portion of the loan will be forgiven. The Church will recognize the amount forgiven as revenue when the conditions for forgiveness are met.

The Church has evaluated for possible financial reporting and disclosure subsequent events through July 15, 2020, the date as of which the financial statements were available to be issued.