



FAITH BIBLE CHURCH

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 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 statement of financial position as of March 31, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with 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 review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Plano, Texas
July 25, 2019

FAITH BIBLE CHURCH
STATEMENT OF FINANCIAL POSITION
March 31, 2019

ASSETS

ASSETS	
Cash and cash equivalents	\$ 1,747,738
Investments	387,311
Certificates of deposit	100,000
Other assets	13,053
Property and equipment, net	<u>18,818,433</u>
Total assets	<u>\$ 21,066,535</u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable and accrued expenses	\$ 86,908
Note payable	<u>4,145,157</u>
Total liabilities	<u>4,232,065</u>

NET ASSETS	
Without donor restrictions	
Undesignated	1,213,028
Board designated	487,311
Designated for property and equipment	<u>14,673,276</u>
Total net assets without donor restrictions	16,373,615
With donor restrictions	<u>460,855</u>
Total net assets	<u>16,834,470</u>
Total liabilities and net assets	<u>\$ 21,066,535</u>

FAITH BIBLE CHURCH
STATEMENT OF ACTIVITIES
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	\$ 5,468,407	\$ 466,173	\$ 5,934,580
Other revenue	195,795	—	195,795
Investment income	18,172	—	18,172
Net assets released from restrictions	515,448	(515,448)	—
Total public support and revenue and net assets released from restrictions	6,197,822	(49,275)	6,148,547
EXPENSES			
Program activities	4,300,483	—	4,300,483
Supporting activities	1,161,875	—	1,161,875
Total expenses	5,462,358	—	5,462,358
CHANGE IN NET ASSETS	735,464	(49,275)	686,189
NET ASSETS - Beginning of year	15,638,151	510,130	16,148,281
NET ASSETS - End of year	\$ 16,373,615	\$ 460,855	\$ 16,834,470

FAITH BIBLE CHURCH
STATEMENT OF CASH FLOWS
For The Year Ended March 31, 2019

OPERATING CASH FLOWS

Cash received from contributors	\$ 5,778,153
Other income received	195,795
Cash paid for operating activities and costs	(4,675,613)
Interest paid	<u>(170,336)</u>

Net operating cash flows 1,127,999

INVESTING CASH FLOWS

Net release of cash restricted for long-term purposes	101,377
Proceeds from sales of investments	100,000
Purchases of certificates of deposit	(100,000)
Purchases of and improvements to property and equipment	<u>(569,997)</u>

Net investing cash flows (468,620)

FINANCING CASH FLOWS

Proceeds from contributions restricted for long-term purposes	156,427
Borrowings	237,600
Principal repayments	<u>(567,443)</u>

Net financing cash flows (173,416)

NET CHANGE IN CASH AND CASH EQUIVALENTS **485,963**

CASH AND CASH EQUIVALENTS - Beginning of year 1,261,775

CASH AND CASH EQUIVALENTS - End of year \$ 1,747,738

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

	Program activities	Supporting activities	Total expenses
	<u> </u>	<u> </u>	<u> </u>
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
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 4,300,483</u>	<u>\$ 1,161,875</u>	<u>\$ 5,462,358</u>

FAITH BIBLE CHURCH
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

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 statement 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.

FAITH BIBLE CHURCH
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 useful lives of property and equipment and the estimated fair value of investments. Actual results could differ from the estimates.

Functional allocation of expenses

The statement of functional expenses presents 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.

Recently adopted accounting pronouncement

Financial Accounting Standards Board Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities is effective for the Church’s financial statements for the year ended March 31, 2019. The ASU requires various changes to the presentation of financial statements of not-for-profit entities, the most significant of which relate to the classifications of net assets, a requirement to report expenses by natural classification as well as by functional classification, and new required disclosures related to an entity’s liquidity and availability of resources. The adoption of the ASU had no effect on the Church’s net assets as of April 1, 2018.

Subsequent events

The Church has evaluated for possible financial reporting and disclosure subsequent events through July 25, 2019, the date as of which the financial statements were available to be issued.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Cash and cash equivalents	\$ 1,747,738
Investments – including certificates of deposit	<u>487,311</u>
Total financial assets available within one year	2,235,049
Less amounts unavailable to management without Elder approval	<u>(487,311)</u>
Net financial assets available within one year	<u>\$ 1,747,738</u>

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 Church’s donor-restricted net assets are available for general expenditure within one year of March 31, 2019, 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.

Furthermore, 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.

FAITH BIBLE CHURCH
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

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.

As of March 31, 2019, the Church’s note payable was held by one financial institution.

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Category	
Land	\$ 953,234
Buildings and building improvements	22,096,784
Construction in progress	<u>80,985</u>
Total property and equipment	23,131,003
Less: Accumulated depreciation	<u>(4,312,570)</u>
Net property and equipment	<u>\$ 18,818,433</u>

Depreciation expense amounted to approximately \$556,000 during the year ended March 31, 2019.

NOTE F – NOTE PAYABLE

Note payable is payable to a financial institution with monthly interest-only payments through June 2018 at the one-month LIBOR rate plus 1.50% per annum (3.99% at March 31, 2019). The note is secured by certain real property and requires principal payments of \$19,344 per month along with interest at the aforementioned rate beginning in July 2018. The note matures in February 2027.

Future maturities of the note payable are approximately as follows:

Year Ending March 31,	
2020	\$ 232,000
2021	232,000
2022	232,000
2023	232,000
2024	232,000
Thereafter	<u>2,985,000</u>
Total	<u>\$ 4,145,000</u>

Interest expense was approximately \$170,000 during the year ended March 31, 2019.

FAITH BIBLE CHURCH
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

NOTE G – INTEREST RATE SWAP CONTRACTS

The Church has entered into certain interest rate swap contracts with a bank 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, 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 based on the settlement payment the Church would make to the bank to terminate the interest rate swap contracts. Value has been 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 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:

<u>Category</u>	
Missions fund	\$ 242,929
Benevolence ministries fund	94,666
Adoption and foster care fund	58,282
Other funds	<u>64,978</u>
Total net assets with donor restrictions	<u>\$ 460,855</u>

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 to the Plan during the year ended March 31, 2019.