

STONEBRIAR COMMUNITY CHURCH

Frisco, Texas

Financial Statements

Years Ended June 30, 2022 and 2021

STONEBRIAR COMMUNITY CHURCH

Financial Statements
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INDEPENDENT AUDITORS' REPORT

To the Board of Elders and Finance Committee
Stonebriar Community Church
Frisco, Texas

Opinion

We have audited the accompanying financial statements of Stonebriar Community Church (the "Church"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stonebriar Community Church as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Church and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibilities 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Church's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

PSK LLP

Arlington, Texas
September 14, 2022

STONEBRIAR COMMUNITY CHURCH

Statements of Financial Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 15,240,295	\$ 10,159,772
Accounts receivable	27,785	16,284
Prepaid expenses and other assets	262,903	89,689
Property and equipment, net	<u>38,736,754</u>	<u>39,374,611</u>
Total assets	<u>\$ 54,267,737</u>	<u>\$ 49,640,356</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 18,476	\$ 106,123
Accrued expenses	320,237	277,690
Deferred tuition	<u>-</u>	<u>4,065</u>
Total liabilities	<u>338,713</u>	<u>387,878</u>
Net assets		
Without donor restrictions		
Undesignated	44,165,901	41,295,064
Board designated	<u>8,609,782</u>	<u>7,018,963</u>
Total net assets without donor restrictions	52,775,683	48,314,027
With donor restrictions	<u>1,153,341</u>	<u>938,451</u>
Total net assets	<u>53,929,024</u>	<u>49,252,478</u>
Total liabilities and net assets	<u>\$ 54,267,737</u>	<u>\$ 49,640,356</u>

The accompanying notes are an integral part of these financial statements.

STONEBRIAR COMMUNITY CHURCH

Statements of Activities
 Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Change in net assets without donor restrictions:		
Revenues, gains, and other support		
Contributions	\$ 16,837,242	\$ 14,445,072
Program service fees	211,052	162,357
Preschool Pals tuition	868,982	509,964
Paycheck Protection Program grant forgiveness	-	1,789,552
Interest income	17,912	28,567
Net assets released from restrictions	<u>1,115,723</u>	<u>822,076</u>
Total revenues, gains, and other support	<u>19,050,911</u>	<u>17,757,588</u>
Expenses		
Ministries	13,308,407	12,106,986
Supporting services	<u>1,280,848</u>	<u>1,383,026</u>
Total expenses	<u>14,589,255</u>	<u>13,490,012</u>
Change in net assets without donor restrictions	<u>4,461,656</u>	<u>4,267,576</u>
Change in net assets with donor restrictions:		
Contributions	1,033,744	906,220
Texas Workforce Commission grant	296,869	-
Net assets released from restrictions	<u>(1,115,723)</u>	<u>(822,076)</u>
Change in net assets with donor restrictions	214,890	84,144
Change in net assets	4,676,546	4,351,720
Net assets at beginning of year	<u>49,252,478</u>	<u>44,900,758</u>
Net assets at end of year	<u>\$ 53,929,024</u>	<u>\$ 49,252,478</u>

The accompanying notes are an integral part of these financial statements.

STONEBRIAR COMMUNITY CHURCH

Statements of Functional Expenses
 Years Ended June 30, 2022 and 2021

	2022		
	<u>Ministries</u>	<u>Supporting Services</u>	<u>Total</u>
Salaries and benefits	\$ 8,266,864	\$ 491,952	\$ 8,758,816
Support for others	865,109	31	865,140
Supplies and resources	1,349,383	97,685	1,447,068
Facilities	1,638,307	375,184	2,013,491
Depreciation	<u>1,188,744</u>	<u>315,996</u>	<u>1,504,740</u>
Total	<u>\$ 13,308,407</u>	<u>\$ 1,280,848</u>	<u>\$ 14,589,255</u>
	2021		
	<u>Ministries</u>	<u>Supporting Services</u>	<u>Total</u>
Salaries and benefits	\$ 8,066,598	\$ 534,250	\$ 8,600,848
Support for others	925,183	350	925,533
Supplies and resources	861,387	98,104	959,491
Facilities	1,051,668	349,606	1,401,274
Depreciation	1,112,602	370,867	1,483,469
Interest	<u>89,548</u>	<u>29,849</u>	<u>119,397</u>
Total	<u>\$ 12,106,986</u>	<u>\$ 1,383,026</u>	<u>\$ 13,490,012</u>

The accompanying notes are an integral part of these financial statements.

STONEBRIAR COMMUNITY CHURCH

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 4,676,546	\$ 4,351,720
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	1,504,740	1,483,469
Paycheck Protection Program grant forgiveness	-	(1,779,800)
Noncash contribution of common stock	(622,035)	(450,632)
Realized (gain) loss on sale of donated common stock	64	(2,366)
Contributions restricted for debt reduction and building costs	(40,629)	(216,836)
(Increase) decrease in assets:		
Accounts receivable	(11,501)	(2,412)
Prepaid expenses and other assets	(173,214)	(12,713)
Increase (decrease) in liabilities:		
Accounts payable	(87,647)	105,470
Deferred tuition	(4,065)	4,065
Accrued expenses	42,547	(2,184)
Net cash and cash equivalents provided by operating activities	5,284,806	3,477,781
Cash flows from investing activities:		
Proceeds from sale of donated common stock	621,971	452,998
Proceeds from maturities of investments	-	2,000,000
Purchases of property and equipment	(866,883)	(243,258)
Net cash and cash equivalents provided by (used in) investing activities	(244,912)	2,209,740
Cash flows from financing activities:		
Payments on notes payable	-	(3,616,186)
Contributions restricted for debt reduction and building costs	40,629	216,836
Net cash and cash equivalents provided by (used in) financing activities	40,629	(3,399,350)
Change in cash and cash equivalents	5,080,523	2,288,171
Cash and cash equivalents at beginning of year	10,159,772	7,871,601
Cash and cash equivalents at end of year	\$ 15,240,295	\$ 10,159,772
Supplemental cash flow information:		
Cash paid for interest	\$ -	\$ 109,645

The accompanying notes are an integral part of these financial statements.

STONEBRIAR COMMUNITY CHURCH
Notes to Financial Statements

1 - Historical Background

Stonebriar Community Church (the “Church”) is a Texas nonprofit corporation located in Frisco, Texas. The Church was formed to promote Jesus Christ, the Son of God, as Lord and Savior to all who will acknowledge and trust Him and to teach and preach the Holy Bible as the inspired Word of God and propagate the Christian faith, beliefs, and practices.

The Church is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code as other than a private foundation.

2 - Significant Accounting Policies

Basis of Accounting - The financial statements of the Church have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the obligation is incurred. The financial statements of the Church have been prepared using accounting principles generally accepted in the United States of America.

Basis of Presentation - Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets 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 may be perpetual in nature, where the donor stipulates that resources 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.

Revenues and Support - Revenues and support for the Church are primarily derived from contributions from the Church membership.

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of estimates of time and effort.

Cash and Cash Equivalents - For purposes of reporting cash flows, the Church considers all bank deposits and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

STONEBRIAR COMMUNITY CHURCH
Notes to Financial Statements

2 - Significant Accounting Policies (continued)

Property and Equipment - Property and equipment with a value in excess of \$5,000 are recorded at cost, if purchased, and at fair market value at date of donation, if contributed. Major expenditures and those that substantially increase useful lives are capitalized. Maintenance, repairs and replacements, which do not improve or extend the lives of the respective assets, are charged to expense when incurred. Depreciation has been computed using the straight-line method over the useful lives of the assets as follows:

Buildings and improvements	40 years
Furniture and fixtures	5 to 10 years
Equipment	3 to 5 years
Vehicles	5 years

Use of Estimates - Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Donated Services - No amounts have been reflected in the financial statements for donated services. The Church pays for most services requiring specific expertise. A large number of people have contributed significant amounts of time to the activities of the Church without compensation. The financial statements do not reflect the value of those contributed services.

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Compensated Absences - Employees of the Church, administrative and ministerial, are entitled to paid time off depending upon length of service and other factors. The Church cannot reasonably estimate the amount of compensation for future absences; accordingly, no liability has been recorded in the accompanying financial statements. The Church's policy is to recognize the cost of compensated absences when paid to employees.

Concentrations of Credit Risk - At times, the Church maintains cash balances with financial institutions in excess of federally insured limits. It is the opinion of the Church's management that the solvency of the financial institutions is sufficient to cover any exposure.

Income Taxes - The Church follows the Income Taxes topic of the FASB ASC, which prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The Church is not aware of any activities that would jeopardize its tax-exempt status and is not aware of any activities that are subject to tax on unrelated business income. As of June 30, 2022 and 2021, the Church has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and does not expect this to change in the next twelve months.

3 - Liquidity and Availability of Resources

The Church operates under a budget for activities supported by unrestricted contributions. Its Board of Elders (the "Board") is responsible for monitoring the liquidity necessary to meet the Church's operating needs and meets periodically throughout the year to evaluate the actual results of financial operations versus the budget. Additionally, the Church maintains several Board-designated and donor-restricted funds purposed for various activities of the Church. Church management, in accordance with Church policy and/or in collaboration with the Board, appropriates resources from Board-designated and donor-restricted funds as needed.

STONEBRIAR COMMUNITY CHURCH
Notes to Financial Statements

3 - Liquidity and Availability of Resources (continued)

Financial assets available for general expenditure, that is, without donor restrictions limiting their use or without requiring specific action of the Board, within one year of the date of the statement of financial position, are comprised of the following:

	2022	2021
Cash and cash equivalents	\$ 15,240,295	\$ 10,159,772
Accounts receivable	27,785	16,284
	15,268,080	10,176,056
Donor-restricted funds	(1,153,341)	(938,451)
Board-designated funds	(8,609,782)	(7,018,963)
Financial assets available to meet general expenditure needs within one year	\$ 5,504,957	\$ 2,218,642

4 - Property and Equipment

As of June 30, 2022 and 2021, the Church's property and equipment consisted of the following:

	2022	2021
Land	\$ 7,066,759	\$ 7,066,759
Buildings and improvements	50,237,208	49,986,262
Furniture, fixtures, and equipment	4,529,524	4,569,704
Vehicles	48,518	48,518
Construction in progress	593,423	-
	62,475,432	61,671,243
Less: accumulated depreciation	(23,738,678)	(22,296,632)
Property and equipment, net	\$ 38,736,754	\$ 39,374,611

5 - Payroll Protection Program Grant

In April 2020, the Church obtained a note payable under the Small Business Administration ("SBA") Paycheck Protection Program (the "Program") of the CARES Act in the amount of \$1,779,800. Under the Program, all or a portion of the note payable and accrued interest could be forgiven to the extent the Church met certain criteria required by the SBA. During 2021 the note and all accrued interest was forgiven in full and has been recognized as revenue on the 2021 statement of activities.

6 - Texas Workforce Commission Grant

In April 2022, the Church received approval from the Texas Workforce Commission (the "Commission") to receive funding to assist with expenses related to Stonebriar Preschool Pals from the Child Care Relief Fund, which the Commission established with funds from the American Rescue Plan Act. The approved funding amount to be received is approximately \$1,180,000. As of the date of our report, the Church has received \$296,869.

STONEBRIAR COMMUNITY CHURCH
Notes to Financial Statements

7 - Net Assets Without Donor Restrictions

The Board of Elders has designated certain net assets without donor restrictions to be set aside for various needs of the Church. These amounts have been included in the net assets without donor restrictions balance shown on the statement of financial position. As of June 30, 2022 and 2021, the Board had designated funds as follows:

	<u>2022</u>	<u>2021</u>
Operating reserve	\$ 6,194,502	\$ 6,194,502
Special projects reserve	1,655,819	225,309
HVAC reserve	737,806	577,497
Pipe organ reserve	<u>21,655</u>	<u>21,655</u>
	<u>\$ 8,609,782</u>	<u>\$ 7,018,963</u>

8 - Net Assets With Donor Restrictions

The balance of net assets with donor restrictions as of June 30, 2022 and 2021 relates to certain contributions for which the donor has imposed restrictions. During 2022 and 2021, net assets with donor restrictions in the amounts of \$1,115,723 and \$822,076, respectively, had been expended in accordance with donor restrictions and were reclassified to net assets without donor restrictions. Net assets with donor restrictions as of June 30, 2022 and 2021 were restricted for the following purposes and consisted of the following amounts:

	<u>2022</u>	<u>2021</u>
Missions	\$ 287,809	\$ 252,847
Special needs ministry	123,579	147,522
Adult ministry	158,212	152,087
Building fund	35,103	96,344
Library	177,955	68,503
Benevolence	83,843	73,631
Community care	52,344	51,292
Other	<u>234,496</u>	<u>96,225</u>
	<u>\$ 1,153,341</u>	<u>\$ 938,451</u>

9 - Retirement Plan

The Church has a 403(b) retirement plan for all eligible employees. Employees can make contributions, subject to certain limitations, on a pretax basis. The Church can elect to contribute voluntarily to the plan on an annual basis. Employees are vested in the Church's contributions to the plan upon initial contribution. For the years ended June 30, 2022 and 2021, the Church contributed \$268,347 and \$2,574, respectively, to the retirement plan.

10 - Subsequent Events

Subsequent events have been evaluated through September 14, 2022, which is the date the financial statements were available to be issued.

In August 2022, the Church entered into a contract to upgrade existing facilities. The total cost of the contract is \$656,402.