



THE VILLAGE CHURCH

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022





REPORT OF INDEPENDENT AUDITOR

The Central Elders Board
The Village Church
Flower Mound, Texas

Opinion

We have audited the accompanying financial statements of The Village Church (“the Church”), which consist of the statement of financial position as of June 30, 2022, and the related statements of activities, cash flows, and functional expenses for the year 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 The Village Church as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error and to issue an auditor’s 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.

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 risk 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.

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- 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.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Plano, Texas
October 31, 2022

THE VILLAGE CHURCH
STATEMENT OF FINANCIAL POSITION
June 30, 2022

ASSETS

ASSETS

Cash and cash equivalents	\$ 10,485,765
Cash designated for long-term purposes	1,650,000
Investments	5,495,908
Note receivable, net	577,418
Property and equipment, net	23,530,884
Other assets	<u>403,760</u>

Total assets \$ 42,143,735

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 697,218
Other liabilities	<u>173,048</u>

Total liabilities 870,266

NET ASSETS

Without donor restrictions	
Undesignated	9,199,831
Designated for property and equipment	23,530,884
Board designated	6,250,000
Management designated	<u>228,745</u>

Total without donor restrictions 39,209,460

With donor restrictions 2,064,009

Total net assets 41,273,469

Total liabilities and net assets \$ 42,143,735

THE VILLAGE CHURCH
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS			
Contributions without donor restrictions	\$ 14,195,774	\$ —	\$ 14,195,774
Contributions with donor restrictions	—	1,279,393	1,279,393
Other revenue, net	337,093	—	337,093
Net assets released from restrictions	<u>3,009,498</u>	<u>(3,009,498)</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>17,542,365</u>	<u>(1,730,105)</u>	<u>15,812,260</u>
EXPENSES			
Program activities	17,458,306	—	17,458,306
Supporting activities	<u>2,744,739</u>	<u>—</u>	<u>2,744,739</u>
Total expenses	<u>20,203,045</u>	<u>—</u>	<u>20,203,045</u>
CHANGE IN NET ASSETS	(2,660,680)	(1,730,105)	(4,390,785)
NET ASSETS - Beginning of year	<u>41,870,140</u>	<u>3,794,114</u>	<u>45,664,254</u>
NET ASSETS - End of year	<u>\$ 39,209,460</u>	<u>\$ 2,064,009</u>	<u>\$ 41,273,469</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

THE VILLAGE CHURCH
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2022

OPERATING CASH FLOWS

Cash received from contributors	\$ 15,475,167
Other revenue received	746,995
Cash paid for operating activities and costs	<u>(15,880,956)</u>

Net operating cash flows 341,206

INVESTING CASH FLOWS

Principal payments received on ministry program loan from Citizens Church	238,931
Net proceeds from sales of investments	53,609
Net purchases of and improvements to property and equipment	<u>(11,494,561)</u>

Net investing cash flows (11,202,021)

NET CHANGE IN CASH, CASH EQUIVALENTS, AND DESIGNATED CASH (10,860,815)

CASH, CASH EQUIVALENTS, AND DESIGNATED CASH - Beginning of year 22,996,580

CASH, CASH EQUIVALENTS, AND DESIGNATED CASH - End of year \$ 12,135,765

REPORTED IN THE STATEMENT OF FINANCIAL POSITION AS FOLLOWS

Cash and cash equivalents	\$ 10,485,765
Cash designated for long-term purposes	<u>1,650,000</u>

Total cash, cash equivalents, and designated cash \$ 12,135,765

RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS

Change in net assets	\$ (4,390,785)
Adjustments to reconcile change in net assets to net operating cash flows	
Depreciation	606,121
Net investment loss	427,154
Noncash grant expense - Restoration Church (see Note G)	3,473,722
Change in other assets and liabilities	(28,103)
Change in accounts payable and accrued expenses	<u>253,097</u>

Net operating cash flows \$ 341,206

THE VILLAGE CHURCH
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2022

	Program activities	Supporting activities	Total expenses
Personnel costs	\$ 5,751,023	\$ 1,413,022	\$ 7,164,045
Grants to Restoration Church	6,308,032	—	6,308,032
Ministry events and activities	1,741,700	—	1,741,700
Other	1,362,770	10,540	1,373,310
Office expense and supplies	118,008	635,079	753,087
Professional services and fees	232,578	457,796	690,374
Depreciation	583,142	22,979	606,121
Rent	527,765	—	527,765
Facilities management and utilities	440,148	16,316	456,464
Non-capitalized project expenditures	24,671	181,382	206,053
Insurance	193,495	7,625	201,120
Donations to third parties and benevolence	174,974	—	174,974
Total expenses	\$ 17,458,306	\$ 2,744,739	\$ 20,203,045

The Accompanying Notes are an Integral
Part of These Financial Statements

THE VILLAGE CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A – NATURE OF ACTIVITIES

The Village Church (“the Church”) is a not-for-profit Texas corporation which exists to love God, love people, and make disciples of Jesus Christ. As of June 30, 2022, the Church operates a single campus located in Flower Mound, Texas. During the year ended June 30, 2022, the Church granted the property and equipment comprising its former Southlake campus to another church (see Note G) as part of its church multiplication strategy.

The accompanying financial statements include the financial activity of TVC Consulting, LLC (“TVCC”), a Texas single-member limited liability company formed to support the activities and purposes of the Church. TVCC was dissolved during the year ended June 30, 2022, and its financial activities were minimal and not material to the accompanying financial statements. The Church was the sole member of TVCC.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Church recognizes cash contributions as revenue 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

The Church considers investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

Cash designated for long-term purposes

Cash designated for long-term purposes consist of amounts designated by the Central Elders Board for certain construction and renovation projects.

Investments

Investments are carried at estimated fair value.

Note receivable, net

The Church’s note receivable is stated at the unpaid principal amount outstanding, reduced by an allowance for loan losses (if any), and is collateralized by a deed of trust. The Church estimates the allowance for loan losses based on an analysis of the note, taking into consideration the age of the past due amounts and assessment of ability to pay. Amounts are considered past due when payments are not made in accordance with specified terms. Amounts are written off upon management’s determination that amounts are uncollectible.

Property and equipment, net

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 assets.

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 various functional areas based primarily on employee time and space utilization.

THE VILLAGE CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets

Net assets without donor restrictions are available for use at the discretion of the Central Elders Board and/or management for general operating purposes. Board designated net assets consist of amounts designated by the Central Elders Board for certain construction and renovation projects, capital expenditures, missions, and various reserve purposes. Management designated net assets consist of amounts designated by management for scholarships and various reserve 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 a private foundation for federal tax purposes. The Church has not incurred unrelated business income taxes. As a result, no income tax provision or 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 relate to the estimated fair value of investments and the estimated useful lives of property and equipment. Actual results could differ from the estimates.

Economic uncertainties

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. 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 year ending June 30, 2023.

Subsequent events

The Church has evaluated for possible financial reporting and disclosure subsequent events through October 31, 2022, the date as of which the financial statements were available to be issued.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Financial assets available:	
Cash and cash equivalents	\$ 10,485,765
Cash designated for long-term purposes	1,650,000
Investments	5,495,908
Note receivable, net	<u>577,418</u>
Total financial assets available within one year	18,209,091
Less amounts unavailable for general expenditure within one year due to:	
Maturities on note receivable due beyond one year	(338,486)
Amounts held subject to board designations	(6,250,000)
Amounts held subject to management designations	<u>(228,745)</u>
Net financial assets available within one year	<u>\$ 11,391,860</u>

THE VILLAGE CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

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 Central Elders Board has designated certain amounts for certain construction and renovation projects, capital expenditures, missions, and various reserve purposes. Management has also designated certain amounts for scholarships and various reserve purposes. Because of the nature of the designations, these amounts may not be available for general expenditure within the next year; however, the Central Elders Board and management could make them available, if necessary. Donor-restricted net assets are available for general expenditure within the next year, because the restrictions on net assets are expected to be met by conducting the normal activities of the Church in the coming 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 immediate liquidity need.

NOTE D – CONCENTRATION OF CREDIT RISK

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 believes it is not exposed to any significant credit risk related to cash and cash equivalents.

NOTE E – FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States (“U.S. GAAP”) define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, U.S. GAAP recognizes a hierarchy of “inputs” an organization may use in determining or estimating fair value. The inputs are categorized into “levels” that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). 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.

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – unadjusted quoted market prices in active markets for identical items

Level 2 – other significant observable inputs (such as quoted prices for similar items)

Level 3 – significant unobservable inputs

Estimated fair value of assets measured on a recurring basis as of June 30, 2022, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Limited partnership interest	\$ 5,438,367	\$ —	\$ —	\$ 5,438,367
Common and preferred stocks	<u>57,541</u>	<u>57,541</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 5,495,908</u>	<u>\$ 57,541</u>	<u>\$ —</u>	<u>\$ 5,438,367</u>

THE VILLAGE CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE E – FAIR VALUE MEASUREMENTS (Continued)

The Church’s limited partnership interest, valued using Level 3 inputs, consists primarily of investments in pooled funds which primarily invest in privately-held enterprises. These investments can generally be liquidated at an amount approximating carrying value in the near-term with proper notice. The activity for Level 3 investments for the year ended June 30, 2022 was immaterial.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Category	
Land	\$ 5,364,138
Buildings and building improvements	22,545,217
Furniture, fixtures, and equipment	3,275,884
Construction in progress	428,733
Total property and equipment	31,613,972
Less: Accumulated depreciation	(8,083,088)
Net property and equipment	\$ 23,530,884

Depreciation expense amounted to \$606,121 for the year ended June 30, 2022.

NOTE G – CHURCH MULTIPLICATION STRATEGY

The Church previously operated a campus located in Southlake, Texas. During the year ended June 30, 2022, as part of its church multiplication strategy, the Church executed various agreements transferring ownership of certain real property and related improvements and certain personal property with a net book value of approximately \$3,474,000 to Restoration Church of Southlake (a Texas nonprofit corporation) (“Restoration”). In addition, the Church made cash grants to Restoration of approximately \$2,834,000 to help sustain Restoration’s activities during the transition period.

The Church recognized grant expense to Restoration of approximately \$6,308,000 during the year ended June 30, 2022 which is included in the accompanying statement of functional expenses as “grants to Restoration Church.”

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

Activity for net assets with donor restrictions was as follows during the year ended June 30, 2022:

	Balance July 1	Contributions	Releases	Balance June 30
Multiply campaign	\$ 3,789,796	\$ 1,062,098	\$ (2,859,763)	\$ 1,992,131
Missions	—	217,295	(145,417)	71,878
Scholarships	4,318	—	(4,318)	—
Total	\$ 3,794,114	\$ 1,279,393	\$ (3,009,498)	\$ 2,064,009

THE VILLAGE CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE I – RETIREMENT PLAN

The Church maintains a defined contribution retirement plan for eligible employees offered by GuideStone Financial Resources of the Southern Baptist Convention (“the Plan”). Eligible employees may make elective deferrals to the Plan up to the maximum amount allowed by the Internal Revenue Code. The Church makes an annual discretionary matching contribution to employee accounts based on years of service. The Church contributed approximately \$284,000 to the Plan during the year ended June 30, 2022.

NOTE J – LEASES

The Church leases office space to tenants under non-cancelable operating leases. The following is a schedule by year of future minimum lease payments to be received under the leases:

Year Ending <u>June 30.</u>	
2023	\$ 373,000
2024	288,000
2025	239,000
2026	162,000
2027	131,000
Thereafter	<u>510,000</u>
Total	<u>\$ 1,703,000</u>