



# THE VILLAGE CHURCH

## CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021





## REPORT OF INDEPENDENT AUDITOR

The Central Elders Board  
The Village Church  
Flower Mound, Texas

We have audited the accompanying consolidated financial statements of The Village Church ("the Church"), which consist of the consolidated statement of financial position as of June 30, 2021, the related consolidated statements of activities, cash flows, and functional expenses for the six months then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Church's preparation and fair presentation of the consolidated 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 Church'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 consolidated financial statements.

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Village Church as of June 30, 2021, the consolidated changes in its net assets, and its consolidated cash flows for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

*Batt's Morrison Wales & Lee, P.A.*

BATT'S MORRISON WALES & LEE, P.A.

Plano, Texas  
December 17, 2021

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**THE VILLAGE CHURCH**  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
June 30, 2021

**ASSETS**

**ASSETS**

Cash and cash equivalents	\$ 12,996,580
Cash designated for long-term purposes	10,000,000
Investments	5,976,671
Note receivable, net	816,349
Property and equipment, net	16,116,166
Other assets	<u>409,206</u>

**Total assets** \$ 46,314,972

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 444,121
Other liabilities	<u>206,597</u>

**Total liabilities** 650,718

**NET ASSETS**

Without donor restrictions	
Undesignated	9,805,454
Designated for property and equipment	16,116,166
Board designated	14,620,530
Management designated	<u>1,327,990</u>

Total without donor restrictions 41,870,140

With donor restrictions 3,794,114

**Total net assets** 45,664,254

**Total liabilities and net assets** \$ 46,314,972

**THE VILLAGE CHURCH**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
For The Six Months Ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS</b>			
Contributions without donor restrictions	\$ 6,493,636	\$ —	\$ 6,493,636
Contributions with donor restrictions	—	1,324,061	1,324,061
Other revenue, net	618,582	—	618,582
Net assets released from restrictions	792,605	(792,605)	—
<b>Total public support and revenue and net assets released from restrictions</b>	<b>7,904,823</b>	<b>531,456</b>	<b>8,436,279</b>
<b>EXPENSES</b>			
Program activities	8,492,863	—	8,492,863
Supporting activities	1,480,422	—	1,480,422
<b>Total expenses</b>	<b>9,973,285</b>	<b>—</b>	<b>9,973,285</b>
<b>CHANGE IN NET ASSETS</b>	<b>(2,068,462)</b>	<b>531,456</b>	<b>(1,537,006)</b>
<b>NET ASSETS - Beginning of period</b>	<b>43,938,602</b>	<b>3,262,658</b>	<b>47,201,260</b>
<b>NET ASSETS - End of period</b>	<b>\$ 41,870,140</b>	<b>\$ 3,794,114</b>	<b>\$ 45,664,254</b>

The Accompanying Notes are an Integral  
Part of These Consolidated Financial Statements

**THE VILLAGE CHURCH**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For The Six Months Ended June 30, 2021

**OPERATING CASH FLOWS**

Cash received from contributors	\$ 7,817,697
Other revenue received	501,694
Cash paid for operating activities and costs	<u>(7,070,738)</u>

**Net operating cash flows** 1,248,653

**INVESTING CASH FLOWS**

Principal payments received on ministry program loan from Citizens Church	119,466
Net proceeds from sales of investments	59,353
Net purchases of and improvements to property and equipment	<u>(149,751)</u>

**Net investing cash flows** 29,068

**NET CHANGE IN CASH, CASH EQUIVALENTS, AND DESIGNATED CASH** **1,277,721**

**CASH, CASH EQUIVALENTS, AND DESIGNATED CASH - Beginning of period** **21,718,859**

**CASH, CASH EQUIVALENTS, AND DESIGNATED CASH - End of period** **\$ 22,996,580**

**REPORTED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS FOLLOWS**

Cash and cash equivalents	\$ 12,996,580
Cash designated for long-term purposes	<u>10,000,000</u>

**Total cash, cash equivalents, and designated cash** \$ 22,996,580

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH  
FLOWS**

Change in net assets	\$ (1,537,006)
Adjustments to reconcile change in net assets to net operating cash flows	
Depreciation	393,309
Gain on investments	(152,147)
Noncash grant expense - Redemption Story Church (See Note G)	2,507,908
Change in other assets and liabilities	71,658
Change in accounts payable and accrued expenses	<u>(35,069)</u>

**Net operating cash flows** \$ 1,248,653

**THE VILLAGE CHURCH**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
For The Six Months Ended June 30, 2021

	Program activities	Supporting activities	Total expenses
Grants to Redemption Story Church	\$ 3,387,601	\$ —	\$ 3,387,601
Personnel costs	2,617,805	714,071	3,331,876
Other	528,296	40,700	568,996
Facilities management and utilities	445,407	14,541	459,948
Ministry events and activities	409,846	7,012	416,858
Donations to third parties and benevolence	408,776	—	408,776
Depreciation	380,875	12,434	393,309
Office expense and supplies	51,099	311,317	362,416
Professional services and fees	76,442	200,812	277,254
Non-capitalized project expenditures	81,032	102,589	183,621
Insurance	104,478	3,411	107,889
Rent	1,206	73,535	74,741
<b>Total expenses</b>	<b><u>\$ 8,492,863</u></b>	<b><u>\$ 1,480,422</u></b>	<b><u>\$ 9,973,285</u></b>

The Accompanying Notes are an Integral  
Part of These Consolidated Financial Statements

**THE VILLAGE CHURCH**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2021

**NOTE A – NATURE OF ACTIVITIES AND BASIS OF CONSOLIDATION**

The Village Church (“the Church”) is a not-for-profit Texas corporation which exists to bring glory to God by making disciples through gospel-centered worship, gospel-centered community, gospel-centered service, and gospel-centered multiplication. As of June 30, 2021, the Church operated two campuses in the Dallas-Fort Worth Metroplex – one each located in Flower Mound and Southlake, Texas. In a previous year, the Church operated one additional campus located in Fort Worth, Texas.

In conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), the consolidated financial statements of the Church include the accounts of TVC Consulting, LLC (“TVCC”), which is a separate legal entity. TVCC is a Texas single-member limited liability company formed to support the activities and purposes of the Church. The Church is the sole member of TVCC.

All significant interorganization balances and transactions have been eliminated in consolidation.

**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 consolidated 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 Flower Mound campus expansion.

**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 consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS  
 June 30, 2021

**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 campus expansion, church planting, and reserve purposes. Management designated net assets consist of amounts designated by management for church planting and 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. TVCC is considered a disregarded entity for income tax purposes. The Church and TVCC have not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying consolidated financial statements.

**Use of estimates**

Management uses estimates and assumptions in preparing the consolidated 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 consolidated financial statements relate to the estimated fair value of investments and determining the 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, 2022.

**NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES**

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

Financial assets available:	
Cash and cash equivalents	\$ 12,996,580
Cash designated for long-term purposes	10,000,000
Investments	5,976,671
Note receivable, net	<u>816,349</u>
Total financial assets available within one year	29,789,600
Less amounts unavailable for general expenditure within one year due to:	
Maturities on note receivable due beyond one year	(577,418)
Amounts held subject to board designations	(14,620,530)
Amounts held subject to management designations	<u>(1,327,990)</u>
Net financial assets available within one year	<u>\$ 13,263,662</u>



**THE VILLAGE CHURCH**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2021

**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 campus expansion, church planting, and reserve purposes. Management has also designated certain amounts for church planting and 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 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

Category	
Land	\$ 3,701,983
Buildings and building improvements	17,243,617
Furniture, fixtures, and equipment	3,729,304
Construction in progress	<u>23,610</u>
 Total property and equipment	 24,698,514
 Less: Accumulated depreciation	 <u>(8,582,348)</u>
 Net property and equipment	 <u>\$ 16,116,166</u>

Depreciation expense amounted to \$393,309 for the six months ended June 30, 2021.

**NOTE F - FAIR VALUE MEASUREMENTS**

U.S. GAAP defines 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.

**THE VILLAGE CHURCH**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2021

**NOTE F – FAIR VALUE MEASUREMENTS (Continued)**

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, 2021, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Limited partnership interest	\$ 5,906,671	\$ —	\$ —	\$ 5,906,671
Common and preferred stocks	<u>70,000</u>	<u>70,000</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 5,976,671</u>	<u>\$ 70,000</u>	<u>\$ —</u>	<u>\$ 5,906,671</u>

The estimated fair value of the Church’s limited partnership interest 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 six month period ended June 30, 2021 was immaterial.

**NOTE G – CHURCH MULTIPLICATION STRATEGY**

The Church previously operated a campus located in Fort Worth, Texas. During the six months ended June 30, 2021, 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 \$2,508,000 to Redemption Story Church (a Texas nonprofit corporation) (“Redemption Story”). In addition, the Church made cash grants to Redemption Story of approximately \$880,000 to help sustain Redemption Story’s activities during the transition period.

The Church recognized grant expense to Redemption Story Church of approximately \$3,388,000 during the six months ended June 30, 2021 which is recognized in the accompanying consolidated statement of functional expenses as “grants to Redemption Story Church.”

**NOTE H – NET ASSETS WITH DONOR RESTRICTIONS**

Activity for net assets with donor restrictions was as follows during the six months ended June 30, 2021:

	<u>Balance</u> <u>January 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30</u>
“Multiply” campaign	\$ 3,086,958	\$ 1,060,013	\$ (357,175)	\$ 3,789,796
Scholarships	4,318	—	—	4,318
Missions	<u>171,382</u>	<u>264,048</u>	<u>(435,430)</u>	<u>—</u>
Total	<u>\$ 3,262,658</u>	<u>\$ 1,324,061</u>	<u>\$ (792,605)</u>	<u>\$ 3,794,114</u>

**THE VILLAGE CHURCH**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2021

**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 \$149,000 to the Plan during the six months ended June 30, 2021.

**NOTE J – SUBSEQUENT EVENTS**

The Church previously operated a campus located in Southlake, Texas. Subsequent to June 30, 2021, 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 has evaluated for possible financial reporting and disclosure subsequent events through December 17, 2021, the date as of which the consolidated financial statements were available to be issued.