



Batts Morrison  
Wales & Lee

CERTIFIED PUBLIC ACCOUNTANTS

# The Village Church

Financial Statements

For The Years Ended June 30, 2023 and 2022



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CERTIFIED PUBLIC ACCOUNTANTS

## 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 statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses 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 The Village Church as of June 30, 2023 and 2022, 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 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 audits. 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 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 13, 2023

**THE VILLAGE CHURCH**  
STATEMENTS OF FINANCIAL POSITION

**ASSETS**

	June 30,	
	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 518,872	\$ 9,526,708
Cash designated for long-term purposes	1,650,000	1,650,000
Cash restricted for long-term purposes	20,000	939,771
Certificates of deposit	10,904,555	19,286
Investments	5,705,112	5,495,908
Property and equipment, net	25,318,052	23,530,884
Other assets	2,332,847	981,178
<b>Total assets</b>	<b>\$ 46,449,438</b>	<b>\$ 42,143,735</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 808,369	\$ 697,218
Other liabilities	99,388	173,048
<b>Total liabilities</b>	<b>907,757</b>	<b>870,266</b>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	11,001,836	9,199,831
Designated for property and equipment	25,318,052	23,530,884
Board designated	6,149,000	6,250,000
Management designated	319,506	228,745
Total without donor restrictions	42,788,394	39,209,460
With donor restrictions	2,753,287	2,064,009
<b>Total net assets</b>	<b>45,541,681</b>	<b>41,273,469</b>
<b>Total liabilities and net assets</b>	<b>\$ 46,449,438</b>	<b>\$ 42,143,735</b>

The Accompanying Notes are an Integral  
Part of These Financial Statements

**THE VILLAGE CHURCH**  
STATEMENTS OF ACTIVITIES

For The Years Ended June 30,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS</b>						
Contributions	\$ 14,045,441	\$ 2,709,526	\$ 16,754,967	\$ 14,195,774	\$ 1,279,393	\$ 15,475,167
Other revenue, net	1,810,241	—	1,810,241	337,093	—	337,093
Federal tax credit revenue	1,206,156	—	1,206,156	—	—	—
Net assets released from restrictions	2,020,248	(2,020,248)	—	3,009,498	(3,009,498)	—
<b>Total public support and revenue and net assets released from restrictions</b>	<b>19,082,086</b>	<b>689,278</b>	<b>19,771,364</b>	<b>17,542,365</b>	<b>(1,730,105)</b>	<b>15,812,260</b>
<b>EXPENSES</b>						
Program activities	11,777,550	—	11,777,550	17,458,306	—	17,458,306
Supporting activities	3,725,602	—	3,725,602	2,744,739	—	2,744,739
<b>Total expenses</b>	<b>15,503,152</b>	<b>—</b>	<b>15,503,152</b>	<b>20,203,045</b>	<b>—</b>	<b>20,203,045</b>
<b>CHANGE IN NET ASSETS</b>	<b>3,578,934</b>	<b>689,278</b>	<b>4,268,212</b>	<b>(2,660,680)</b>	<b>(1,730,105)</b>	<b>(4,390,785)</b>
<b>NET ASSETS - Beginning of year</b>	<b>39,209,460</b>	<b>2,064,009</b>	<b>41,273,469</b>	<b>41,870,140</b>	<b>3,794,114</b>	<b>45,664,254</b>
<b>NET ASSETS - End of year</b>	<b>\$ 42,788,394</b>	<b>\$ 2,753,287</b>	<b>\$ 45,541,681</b>	<b>\$ 39,209,460</b>	<b>\$ 2,064,009</b>	<b>\$ 41,273,469</b>

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**THE VILLAGE CHURCH**  
STATEMENTS OF CASH FLOWS

	June 30,	
	2023	2022
<b>OPERATING CASH FLOWS</b>		
Cash received from contributors	\$ 16,733,987	\$ 15,454,032
Other revenue received	1,216,873	746,995
Cash paid for operating activities and costs	<u>(14,731,632)</u>	<u>(15,880,956)</u>
<b>Net operating cash flows</b>	<b><u>3,219,228</u></b>	<b><u>320,071</u></b>
<b>INVESTING CASH FLOWS</b>		
Purchases of certificates of deposit and reinvestment of interest	(10,885,269)	(19,286)
Principal payments received on note receivable	238,931	238,931
Net proceeds from sales of investments	99,752	53,609
Net purchases of and improvements to property and equipment	<u>(2,621,229)</u>	<u>(11,494,561)</u>
<b>Net investing cash flows</b>	<b><u>(13,167,815)</u></b>	<b><u>(11,221,307)</u></b>
<b>FINANCING CASH FLOWS</b>		
Proceeds from contributions restricted for long-term purposes	<u>20,980</u>	<u>21,135</u>
<b>Net financing cash flows</b>	<b><u>20,980</u></b>	<b><u>21,135</u></b>
<b>NET CHANGE IN CASH, CASH EQUIVALENTS, DESIGNATED, AND RESTRICTED CASH</b>	<b>(9,927,607)</b>	<b>(10,880,101)</b>
<b>CASH, CASH EQUIVALENTS, DESIGNATED, AND RESTRICTED CASH - Beginning of year</b>	<b><u>12,116,479</u></b>	<b><u>22,996,580</u></b>
<b>CASH, CASH EQUIVALENTS, DESIGNATED, AND RESTRICTED CASH - End of year</b>	<b><u>\$ 2,188,872</u></b>	<b><u>\$ 12,116,479</u></b>
<b>REPORTED IN THE STATEMENTS OF FINANCIAL POSITION AS FOLLOWS</b>		
Cash and cash equivalents	\$ 518,872	\$ 9,526,708
Cash designated for long-term purposes	1,650,000	1,650,000
Cash restricted for long-term purposes	<u>20,000</u>	<u>939,771</u>
<b>Total cash, cash equivalents, designated, and restricted cash</b>	<b><u>\$ 2,188,872</u></b>	<b><u>\$ 12,116,479</u></b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS</b>		
Change in net assets	\$ 4,268,212	\$ (4,390,785)
Adjustments to reconcile change in net assets to net operating cash flows		
Depreciation	834,062	606,121
Proceeds from contributions restricted for long-term purposes	(20,980)	(21,135)
Net investment (gain) loss	(308,956)	427,154
Noncash grant expense - Restoration Church (see Note G)	—	3,473,722
Change in other assets and liabilities	(1,664,261)	(28,103)
Change in accounts payable and accrued expenses	<u>111,151</u>	<u>253,097</u>
<b>Net operating cash flows</b>	<b><u>\$ 3,219,228</u></b>	<b><u>\$ 320,071</u></b>

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**THE VILLAGE CHURCH**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For The Year Ended June 30, 2023

	Program Activities	Supporting Activities	Total Expenses
Personnel costs	\$ 5,857,079	\$ 1,272,044	\$ 7,129,123
Ministry events and activities	2,049,090	34,408	2,083,498
Other	1,282,658	202,291	1,484,949
Office expense and supplies	87,941	1,079,708	1,167,649
Professional services and fees	368,541	476,417	844,958
Depreciation	585,320	248,742	834,062
Facilities management and utilities	538,969	117,414	656,383
Rent	480,691	—	480,691
Insurance	247,593	59,342	306,935
Non-capitalized project expenditures	62,097	235,236	297,333
Donations to third parties and benevolence	217,571	—	217,571
<b>Total expenses</b>	<b>\$ 11,777,550</b>	<b>\$ 3,725,602</b>	<b>\$ 15,503,152</b>

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

	<u>Program Activities</u>	<u>Supporting Activities</u>	<u>Total Expenses</u>
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
<b>Total expenses</b>	<b><u>\$ 17,458,306</u></b>	<b><u>\$ 2,744,739</u></b>	<b><u>\$ 20,203,045</u></b>

The Accompanying Notes are an Integral  
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**THE VILLAGE CHURCH**  
NOTES TO FINANCIAL STATEMENTS

**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. 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 statements of activities as “net assets released from restrictions.”

Donor-restricted net assets for capital projects are released as funds are spent on the project, rather than when the underlying asset is placed in service. Management believes this treatment results in a fairer presentation of the Church's financial position. This treatment does not differ materially from the prescribed treatment for such activities under accounting principles generally accepted in the United States (“U.S. GAAP”).

**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 consists of amounts designated by the Central Elders Board for certain construction and renovation projects.

**Cash restricted for long-term purposes**

Cash restricted for long-term purposes consists of donor-restricted amounts for certain capital projects.

**Certificates of deposit**

The Church's certificates of deposit mature through March 2024 and include interest rates up to 4.00% per annum.

**Investments**

Investments are carried at estimated fair value.

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

**THE VILLAGE CHURCH**  
NOTES TO FINANCIAL STATEMENTS

**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.

**Reclassifications**

Certain amounts included in the June 30, 2022 financial statements have been reclassified to conform to classifications adopted during the year ended June 30, 2023. The reclassifications had no material effect on the accompanying financial statements.

**Subsequent events**

The Church has evaluated for possible financial reporting and disclosure subsequent events through the date of the report of independent auditor, 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 statements of financial position are as follows:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Financial assets available:		
Cash and cash equivalents	\$ 518,872	\$ 9,526,708
Cash designated for long-term purposes	1,650,000	1,650,000
Cash restricted for long-term purposes	20,000	939,771
Certificates of deposit	10,904,555	19,286
Investments	5,705,112	5,495,908
Employee Retention Credit receivable (included in "other assets")	1,206,156	—
Note receivable, net (included in "other assets")	<u>338,486</u>	<u>577,418</u>
Total financial assets available within one year	20,343,181	18,209,091
Less amounts unavailable for general expenditure within one year due to:		
Maturities on note receivable due beyond one year	(99,555)	(338,486)
Amounts held subject to board and management designations	(6,468,506)	(6,478,745)
Amounts held subject to donor restrictions	<u>(1,540,066)</u>	<u>(939,771)</u>
Net financial assets available within one year	<u>\$ 12,235,054</u>	<u>\$ 10,452,089</u>

**THE VILLAGE CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**

**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. The Church also has certain assets limited to use for donor-restricted purposes. Because a donor's restriction requires resources to be used in a specific manner or in a future period, the Church must maintain sufficient resources to meet its responsibilities to its donors. Thus, those financial assets may not be available for general expenditure within one year and are excluded from net financial assets available to meet general expenditures within one year. Further, the Church has certain other donor-restricted net assets which 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. 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**

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.

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, 2023, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Limited partnership interest	\$ 5,705,112	\$ —	\$ —	\$ 5,705,112
Total	<u>\$ 5,705,112</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,705,112</u>

**THE VILLAGE CHURCH**  
NOTES TO FINANCIAL STATEMENTS

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

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 Church’s limited partnership interest, valued using Level 3 inputs, consists 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 years ended June 30, 2023 and 2022 was immaterial.

**NOTE F – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

<u>Category</u>	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Land	\$ 5,364,138	\$ 5,364,138
Buildings and building improvements	22,573,677	22,545,217
Furniture, fixtures, and equipment	3,865,510	3,275,884
Construction in progress	<u>2,225,690</u>	<u>428,733</u>
Total property and equipment	34,029,015	31,613,972
Less: Accumulated depreciation	<u>(8,710,963)</u>	<u>(8,083,088)</u>
Net property and equipment	<u>\$ 25,318,052</u>	<u>\$ 23,530,884</u>

Depreciation expense amounted to \$834,062 and \$606,121 during the years ended June 30, 2023 and 2022, respectively.

**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.

As a result of the above transactions, 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.”

**THE VILLAGE CHURCH**  
NOTES TO FINANCIAL STATEMENTS

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

Activity for net assets with donor restrictions was as follows during the year ended June 30, 2023:

	Balance <u>July 1</u>	<u>Contributions</u>	<u>Releases</u>	Balance <u>June 30</u>
Local missions	\$ —	\$ 1,520,066	\$ —	\$ 1,520,066
Global missions and church planting	1,124,238	1,168,480	(1,079,497)	1,213,221
Capital projects	<u>939,771</u>	<u>20,980</u>	<u>(940,751)</u>	<u>20,000</u>
Total	<u>\$ 2,064,009</u>	<u>\$ 2,709,526</u>	<u>\$ (2,020,248)</u>	<u>\$ 2,753,287</u>

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

	Balance <u>July 1</u>	<u>Contributions</u>	<u>Releases</u>	Balance <u>June 30</u>
Global missions and church planting	\$ 2,862,550	\$ 1,258,258	\$ (2,996,570)	\$ 1,124,238
Capital projects	927,246	21,135	(8,610)	939,771
Scholarships	<u>4,318</u>	<u>—</u>	<u>(4,318)</u>	<u>—</u>
Total	<u>\$ 3,794,114</u>	<u>\$ 1,279,393</u>	<u>\$ (3,009,498)</u>	<u>\$ 2,064,009</u>

**NOTE I – EMPLOYEE RETENTION TAX CREDIT**

Subsequent to the year ended June 30, 2023, the Church filed amended payroll tax returns claiming the Employee Retention Credit (“the Credit”) available under the Coronavirus Aid, Relief, and Economic Security Act, as modified by the Consolidated Appropriations Act and the American Rescue Plan Act. The Credit, which represents federal stimulus/relief funds, provides funding in the form of a refundable payroll tax credit for eligible employers applicable to activity during certain portions of calendar years 2020 and 2021. The amount of the Credit is based on certain criteria related to a reduction of gross receipts and/or a full or partial suspension of operations due to government orders during the applicable periods. The Church claimed a credit in the approximate amounts of \$425,000, \$401,000, and \$380,000 for the first, second, and third quarters of 2021, respectively. The total credit amount of approximately \$1,206,000 has been recognized as a receivable (which is included in “other assets”) in the accompanying June 30, 2023 statement of financial position, and as “federal tax credit revenue” in the accompanying statement of activities for the year ended June 30, 2023.

Official, authoritative guidance regarding criteria for eligibility and determination of the amount of the Credit is limited and, in some respects, not abundantly clear. Accordingly, it is at least possible that the Internal Revenue Service could challenge credit amounts claimed by the Church. Under current law, the statute of limitations with respect to claims related to the first and second quarters of 2021 is expected to run in April 2025. The statute of limitations with respect to claims related to the third quarter of 2021 is expected to run in April 2027. The IRS also may, in certain circumstances, file a civil lawsuit in an attempt to recover an “erroneous refund” for a period of time that may extend beyond the regular statute of limitations in certain instances. It is also possible that federal legislation may be adopted that further extends the period during which the IRS may examine or challenge claims for the Credit. The accompanying financial statements do not reflect any adjustment or allowance for credit amounts claimed, as management has concluded that it is more likely than not that the Church’s positions with respect to the Credit will be sustained in the event of an IRS challenge.

**THE VILLAGE CHURCH**  
NOTES TO FINANCIAL STATEMENTS

**NOTE J – 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 \$291,000 and \$284,000 to the Plan during the years ended June 30, 2023 and 2022, respectively.