

PROVIDENCE CHURCH

Frisco, Texas

Financial Statements

Year Ended December 31, 2023

PROVIDENCE CHURCH
Financial Statements
Year Ended December 31, 2023

TABLE OF CONTENTS

	<u>Page</u>
Independent Accountants' Review Report	3
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 12



INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Elders and Finance Team
Providence Church
Frisco, Texas

We have reviewed the accompanying financial statements of Providence Church (the "Church"), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Church management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Providence Church and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

PSK LLP

Arlington, Texas
September 30, 2024

PROVIDENCE CHURCH
 Statement of Financial Position
 December 31, 2023

ASSETS

Cash and cash equivalents	\$ 6,703,361
Prepaid expenses and other assets	41,071
Investments	305,170
Cash restricted for capital expenditures	3,382,150
Property and equipment, net	<u>8,568,445</u>
 Total assets	 <u>\$ 19,000,197</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ 30,037
Construction and retainage payable	56,280
Grant payable, net of unamortized discount	117,192
Note payable	<u>3,311,704</u>
 Total liabilities	 <u>3,515,213</u>
 Net assets	
Without donor restrictions	12,102,834
With donor restrictions	<u>3,382,150</u>
 Total net assets	 <u>15,484,984</u>
 Total liabilities and net assets	 <u>\$ 19,000,197</u>

*See independent accountants' review report.
 The accompanying notes are an integral part of these financial statements.*

PROVIDENCE CHURCH
Statement of Activities
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Tithes and contributions	\$ 4,687,912	\$ 2,404,108	\$ 7,092,020
Program income and fees	100,072	-	100,072
Academy tuition	81,512	-	81,512
Net investment return	46,546	-	46,546
Interest income	21,092	-	21,092
Other income	446	-	446
	4,937,580	2,404,108	7,341,688
Net assets released from restrictions	722,588	(722,588)	-
	5,660,168	1,681,520	7,341,688
Total revenues and support			
Expenses			
Program expenses			
Ministries and worship	2,137,223	-	2,137,223
Missions and outreach	575,119	-	575,119
Academy	278,524	-	278,524
	2,990,866	-	2,990,866
Supporting services	403,441	-	403,441
	3,394,307	-	3,394,307
Total expenses			
Change in net assets	2,265,861	1,681,520	3,947,381
Net assets at beginning of the year	9,836,973	1,700,630	11,537,603
Net assets at end of the year	\$ 12,102,834	\$ 3,382,150	\$ 15,484,984

See independent accountants' review report.

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

PROVIDENCE CHURCH
Statement of Functional Expenses
Year Ended December 31, 2023

	<u>Program Services</u>				
	<u>Ministries and Worship</u>	<u>Missions and Outreach</u>	<u>Academy</u>	<u>Supporting Services</u>	<u>Total</u>
Personnel	\$ 1,525,748	\$ 201,070	\$ 109,726	\$ 201,070	\$ 2,037,614
Supplies and resources	446,307	43,846	10,273	43,846	544,272
Support for others	-	171,678	-	-	171,678
Facilities	66,920	60,277	60,277	60,277	247,751
Interest	29,699	29,699	29,699	29,699	118,796
Depreciation	68,549	68,549	68,549	68,549	274,196
	<u>\$ 2,137,223</u>	<u>\$ 575,119</u>	<u>\$ 278,524</u>	<u>\$ 403,441</u>	<u>\$ 3,394,307</u>

*See independent accountants' review report.
The accompanying notes are an integral part of these financial statements.*

PROVIDENCE CHURCH
Statement of Cash Flows
Year Ended December 31, 2023

Cash flows from operating activities	
Change in net assets	\$ 3,947,381
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	274,196
Net investment return	(46,546)
Donated marketable securities	(17,413)
Contributions restricted for capital expenditures	(2,404,108)
(Increase) decrease in assets:	
Prepaid expenses and other assets	(6,650)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(3,630)
Grant payable	<u>(116,809)</u>
Net cash provided by operating activities	<u>1,626,421</u>
Cash flows from investing activities	
Purchases of property and equipment	<u>(755,807)</u>
Cash flows from financing activities	
Principal payments on note payable	(155,495)
Contributions restricted for capital expenditures	<u>2,404,108</u>
Net cash provided by financing activities	<u>2,248,613</u>
Net change in cash	3,119,227
Cash, cash equivalents, and restricted cash at beginning of the year	<u>6,966,284</u>
Cash, cash equivalents, and restricted cash at end of the year	<u><u>\$ 10,085,511</u></u>
Supplemental disclosure:	
Cash paid for interest	<u><u>\$ 118,796</u></u>

*See independent accountants' review report.
The accompanying notes are an integral part of these financial statements.*

PROVIDENCE CHURCH

Notes to Financial Statements

1 - Organization and Nature of Activities

Providence Church (the "Church"), formerly known as Providence Village Church, is incorporated in the state of Texas as a nonprofit religious organization. The Church's mission is to provide pastoral, educational, and other ministries to the Frisco, Texas area. 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 - Summary of Significant Accounting Policies

Basis of Accounting - The financial statements of the Church have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. The financial statements are prepared in accordance with 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. When restrictions on donor-restricted contributions are met in the same year as received, they are reported as activities within net assets without donor restrictions.

Programs - The Church pursues its mission through the execution of the following major programs:

Ministries and worship - Ministry of community groups, ministries to men and women, educational classes and resources for families, outreach events, and deacon care. Weekly and special worship services of the Church, including teaching, music, communion, and baptism.

Missions and outreach - Support of missions and to engage members in missions related to church planting locally, nationally, and globally, and to provide financial benevolence to members and Frisco residents.

Academy - Two-day/week preschool to encourage the mental, physical, spiritual, social, and emotional development of children ages 2-5. The Academy is open to the community.

Property and Equipment - Property and equipment are recorded at cost. Donated assets are recorded at fair market value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Buildings and improvements	15 to 30 years
Furniture, fixtures, and equipment	5 to 7 years

See independent accountants' review report.

PROVIDENCE CHURCH

Notes to Financial Statements

2 - Summary of Significant Accounting Policies (continued)

Leases - The Church recognizes a right-of-use asset and a lease liability on the effective date of a lease agreement. Right-of-use assets represent the right to use an underlying asset over the lease term and lease liabilities represent the obligation to make lease payments resulting from the lease agreement. The Church initially records these assets and liabilities based on the present value of lease payments over the lease term calculated using its incremental borrowing rate applicable to the leased asset or the implicit rate within the lease agreement if it is readily determinable. Lease agreements with lease and non-lease components are combined as a single lease component. Right-of-use assets additionally include net prepaid lease expenses. Options to extend or terminate an agreement are included in the lease term when it becomes reasonably certain the option will be exercised. Leases with an initial term of 12 months or less, short-term leases, are not recorded on the statement of financial position for all underlying asset classes. Lease expense for short-term and long-term operating leases is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred. The Church did not have right-of-use assets and lease liabilities as of December 31, 2023.

Revenues and Support - Revenues and support for the Church are primarily derived from contributions from the Church membership and from fee-based activities. The Church recognizes contributions when cash, securities, or other assets are received. The Church recognizes revenue from fee-based activities in the period the services are provided to members. The performance obligation of delivering services is simultaneously received and consumed by members; therefore, the revenue is recognized in the period to which it relates.

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

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.

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. The expenses allocated on an estimated usage include depreciation, interest, utilities, and other facilities-related expenses, while salaries and wages, benefits, payroll taxes, outside services, office expenses, information technology, insurance, and other, are allocated on the basis of estimates of time and effort.

Use of Estimates - Management makes estimates in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates 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.

Compensated Absences - All employees of the Church are entitled to paid vacation 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.

PROVIDENCE CHURCH

Notes to Financial Statements

2 - Summary of Significant Accounting Policies (continued)

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 December 31, 2023, the Church had 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.

Concentrations of Credit Risk - Financial instruments, which potentially subject the Church to concentrations of credit risk, consist of bank accounts. The Church maintains its cash in highly reputable financial institutions. Occasionally, the Church's accounts may maintain balances in excess of FDIC insurance protection. It is the opinion of management that the solvency of the financial institutions is sufficient to cover any exposure.

Subsequent Events - Subsequent events have been evaluated through September 30, 2024, which is the date the financial statements were available to be issued.

3 - Liquidity and Availability of Resources

The Church operates under a budget for activities supported by unrestricted tithes and contributions. Its Board of Elders (the "Elders") 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. Church management, in accordance with Church policy and/or in collaboration with the Elders, also appropriates resources from donor-restricted accounts as needed.

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

Cash and cash equivalents	\$ 6,703,361
Cash restricted for capital expenditures	3,382,150
Investments	<u>305,170</u>
	10,390,681
Donor-restricted funds	<u>(3,382,150)</u>
Financial assets available to meet general expenditure needs within one year	<u>\$ 7,008,531</u>

See independent accountants' review report.

PROVIDENCE CHURCH

Notes to Financial Statements

4 - Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows as of December 31, 2023:

Cash and cash equivalents	\$ 6,703,361
Cash restricted for capital expenditures	<u>3,382,150</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 10,085,511</u>

5 - Fair Value Measurements

The Fair Value Measurements topic of the FASB ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance establishes market or observable inputs as the preferred sources of values, followed by assumptions based on hypothetical transactions in the absence of market inputs.

This standard also establishes a hierarchy for grouping these assets and liabilities based on the significance level of the following inputs:

Level I – Quoted prices in active markets for identical assets or liabilities.

Level II – Quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose inputs are observable or whose significant drivers are observable.

Level III – Significant inputs to the valuation model are unobservable.

Investments measured at fair value on a recurring basis are all comprised of marketable equity securities and mutual funds traded on nationally recognized exchanges so they are classified in the hierarchy as Level I assets.

6 - Property and Equipment

Property and equipment consists of the following at December 31, 2023:

Land	\$ 2,831,000
Buildings and improvements	5,720,690
Furniture, fixtures, and equipment	473,819
Construction in progress	1,444,935
Less: accumulated depreciation	<u>(1,901,999)</u>
Property and equipment, net	<u>\$ 8,568,445</u>

See independent accountants' review report.

PROVIDENCE CHURCH

Notes to Financial Statements

7 - Grant Payable

In March 2022, the Church made an unconditional commitment to provide \$370,000 in support for a Bible translation initiative conducted by a ministry partner. \$123,333 was paid at the time of the commitment, with the balance payable in two additional annual installments of the same amount – the first additional payment was made in 2023, with the final additional payment due in 2024. The obligation is carried at the present value of the promised cash flows based upon the Church's incremental borrowing rate at year-end, which is considered to be the Prime Rate. Amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as an adjustment to support for others in the accompanying statement of functional expenses.

8 - Note Payable

In March 2016, the Church obtained a \$4,250,000 loan from a financial institution in order to refinance existing debt. The related promissory note, which is secured by real estate, is payable in monthly installments of principal and interest in the amount of \$22,858. In March 2021, the Church exercised an option to reduce the interest rate on the loan from 4.18% to 3.45%. This rate will remain in effect until the loan matures in March 2026, at which time all unpaid principal and accrued interest will be due. As of December 31, 2023, the balance on the note was \$3,311,704.

As of December 31, 2023, future maturities of this note payable are due as follows:

Year Ending December 31,	
2024	\$ 162,592
2025	168,292
2026	2,980,820

9 - Net Assets With Donor Restrictions

Net assets with donor restrictions totaling \$3,382,150 as of December 31, 2023 consist of a capital campaign to provide resources for a construction project. Net assets released from restriction during the year totaled \$722,588 related to planned capital expenditures.