

CHURCH OF THE HOLY APOSTLES
AUDITED FINANCIAL STATEMENTS
Year ended December 31, 2019

-- 0000 --

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1-2
 FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-15

-- 0000 --



Reimer, McGuinness & Associates, PC

CPAs & Advisors

Independent Auditors' Report

To the Vestry
Church of the Holy Apostles
Houston, Texas

We have audited the accompanying financial statements of Church of the Holy Apostles, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Church of the Holy Apostles as of December 31, 2019, 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.

Reimer, McGuinness & Associates, P.C.

Houston, Texas
December 16, 2020

FINANCIAL STATEMENTS

**CHURCH OF THE HOLY APOSTLES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

	2019
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 134,211
Investments - unrestricted	54,547
Other current assets	12,619
TOTAL CURRENT ASSETS	201,377
 PROPERTY AND EQUIPMENT, NET	 3,773,913
 OTHER ASSETS	
Cash restricted for ministry and facility purposes	34,718
Investments - restricted	127,502
TOTAL OTHER ASSETS	162,220
 TOTAL ASSETS	 \$ 4,137,510
 LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 24,786
Accrued expenses	27,234
Notes payable	80,810
Deferred donations	20,792
TOTAL CURRENT LIABILITIES	153,622
 NON CURRENT LIABILITIES	
Notes payable	1,640,849
TOTAL NON CURRENT LIABILITIES	1,640,849
 TOTAL LIABILITIES	 1,794,471
 NET ASSETS	
Without donor restriction	2,180,819
With donor restriction	162,220
TOTAL NET ASSETS	2,343,039
 TOTAL LIABILITIES AND NET ASSETS	 \$ 4,137,510

See independent auditors' report and notes to the financial statements.

**CHURCH OF THE HOLY APOSTLES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31, 2019**

	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS	
Revenues and gains	
Contributions and support	\$ 941,957
Missions and outreach offering	26,213
Investment income, net	4,163
Other income	23,430
	995,763
TOTAL REVENUES AND GAINS WITHOUT DONOR RESTRICTION	
Net assets released from restrictions	
Restrictions satisfied by payments	305,052
	305,052
TOTAL REVENUES AND GAINS AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS	1,300,815
EXPENDITURES	
Program Services	1,042,953
Fundraising	10,225
General & Administrative	408,170
TOTAL EXPENDITURES	1,461,348
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(160,533)
NET ASSETS WITH DONOR RESTRICTIONS	
REVENUES	
Contributions and support	7,200
Capital campaign offering	70,885
Missions and outreach offering	133,723
Investment income, net	7,501
Total revenues and gains with donor restrictions	219,309
Net assets released from restrictions	
Restrictions satisfied by payments	(305,052)
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(85,743)
DECREASE IN NET ASSETS	(246,276)
NET ASSETS, BEGINNING OF YEAR	2,589,315
NET ASSETS AT END OF YEAR	\$ 2,343,039

See independent auditors' report and notes to the financial statements.

**CHURCH OF THE HOLY APOSTLES
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	PROGRAM SERVICES								
	WORSHIP	DISCIPLESHIP	MISSION & OUTREACH	FAMILY	LEADERSHIP	TOTAL PROGRAM SERVICES	FUNDRAISING	MANAGEMENT & GENERAL	2019 TOTAL
Payroll and benefits	\$ 88,732	\$ 22,089	\$ 36,504	\$ 170,429	\$ 32,896	\$ 350,650	\$ -	\$ 170,496	\$ 521,146
Missions and outreach	-	-	128,059	12,257	-	140,316	10,225	-	150,541
Ministry	11,187	6,137	14,624	26,384	2,871	61,203	-	1,297	62,500
Operations	10,935	2,530	3,768	19,524	3,768	40,525	-	19,533	60,058
Facilities and equipment	41,104	9,151	14,584	74,190	13,629	152,658	-	70,637	223,295
Diocesan expenditures	19,411	4,832	7,196	37,283	7,196	75,918	-	37,297	113,215
Interest	14,609	3,637	5,416	28,059	5,416	57,137	-	28,070	85,207
Depreciation	40,554	10,095	15,034	77,892	15,034	158,609	-	77,925	236,534
Other operating expenses	1,518	378	563	2,915	563	5,937	-	2,915	8,852
Total	\$ 228,050	\$ 58,849	\$ 225,748	\$ 448,933	\$ 81,373	\$ 1,042,953	\$ 10,225	\$ 408,170	\$ 1,461,348

See independent auditors' report and notes to the financial statements.

**CHURCH OF THE HOLY APOSTLES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019
Cash flows from operating activities	
Decrease in net assets	\$ (246,276)
Depreciation	236,534
Unrealized gains on investments	(3,249)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:	
Increase in other current assets	(2,441)
Increase in accounts payable	19,580
Increase in accrued expenses	3,576
Increase in deferred donations	20,792
Net cash provided by operating activities	28,516
 Cash flows from investing activities	
Purchase of investments	(155,415)
Sale of investments	83,000
Purchase of property and equipment	(17,152)
Net cash provided by operating activities	(89,567)
 Cash flows from financing activities	
Debt reductions	(77,675)
Net cash used by financing activities	(77,675)
 Net decrease in cash	(138,726)
 Cash, cash equivalents and restricted cash	
Beginning of year	307,655
End of year	\$ 168,929
 Supplemental disclosure	
Cash paid for interest	\$ 85,207
Cash paid for income taxes	\$ -

See independent auditors' report and notes to the financial statements.

This page is intentionally left blank

NOTES TO FINANCIAL STATEMENTS

CHURCH OF THE HOLY APOSTLES

Notes to the financial statements

December 31, 2019

NOTE 1 – NATURE OF ORGANIZATION

Church of the Holy Apostles (the “Church” or “COTHA”) began in 1994 as a mission church of the Episcopal Diocese of Texas. The Church was incorporated as a Texas Nonprofit Corporation in 1999. In 2000, the Church moved into our current facility on Grand Parkway, Katy, Texas.

Church of the Holy Apostles is a Biblically faithful community that connects people to Christ through love in action.

COTHA wants to be the example of the church that Jesus described in the book of Acts and that Christians modeled in the early Christian movement. We believe the importance of a relationship with Jesus Christ that transforms every part of who we are, so that we represent God and His kingdom to the world.

Our Core Values:

Worship: is limited only by scripture and our willingness to respond. In our desire to reach all seekers we welcome visitors to “come as they are” to join in our worship of God as the body of Christ in spirit and truth. Our worship combines a blend of the rich traditional liturgy of the Episcopal faith along with contemporary music and praise.

Discipleship: is the process of becoming fully devoted followers of Jesus Christ. We endeavor to provide a wide variety of opportunities which teach biblical truth to all ages and stages of discipleship and formation. These include weekly Sunday school classes for all ages and weekly Bible studies. We value the importance of love and support through personal relationships and encourage connection to all people inside and outside of our parish through small group discipleship.

Mission & Outreach: is sharing the message of hope in Jesus Christ to a broken and dying world. As a Gospel imperative, it is best evidenced through our love in action. We seek to show God’s love in action through annual adult mission trips to Guatemala and Africa along with regional youth and adult mission activities, monthly service to the area homeless through the Episcopal Lord of the Streets ministry and weekly free dinner service to our community every Wednesday night.

Family: we believe that families and youth are central pillars to our church and community. We strive to strengthen all families by providing them with a strong Biblical spiritual foundation and formation through our educational and social activities which are centered around basic Christian values.

Leadership: all believers are given gifts to be used in furthering the Kingdom. We are committed to help each person identify their gifts and equip and grow them as leaders to send into ministry, both within the church and throughout the world.

CHURCH OF THE HOLY APOSTLES

Notes to the financial statements

December 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Church is presented to assist in understanding the Church's financial statements. The financial statements and notes are the representation of the Church's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America.

Basis of Accounting

The financial statements of the Church have been prepared using the accrual basis of accounting. Consequently, support and revenues and the related assets are recognized when earned and expenses are recognized when a liability is incurred. Accordingly, the financial statements are intended to present assets, liabilities, revenues, expenses and changes in net assets in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Church reports information regarding its financial position and activities according to two classes of net assets:

- *Net assets without donor restrictions* include those net assets whose use is not restricted by donor-imposed restrictions, even though their use may be limited in other respects, for specific purposes by action of the Vestry or Trustees.
- *Net assets with donor restrictions* include contributions restricted by the donor for specific purposes or future time periods. These donor-imposed stipulations may be fulfilled by actions of the Church. When a purpose restriction is accomplished or a time restriction ends, these net assets with donor restrictions are released to net assets without donor restrictions. Other donor restrictions can be permanent in nature, i.e., those resources subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Church.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Church considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash is maintained in separate bank accounts and includes contributions restricted by donors for either time or use. Restricted cash is not available for operating purposes.

CHURCH OF THE HOLY APOSTLES
Notes to the financial statements
December 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments at year-end are stated at fair value. Fair value is 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. All the Church's investments are in mutual funds for which a readily determinable fair value exists. Realized and unrealized gains or losses in the fair value of investments are included in the statement of activities in the appropriate net asset classification.

Property and Equipment

All acquisitions of property and equipment in excess of \$2,000 and all expenditures for repairs, maintenance, or improvements that significantly prolong the useful lives of the assets are capitalized. Purchases of property and equipment are recorded at cost. Donations of property and equipment are recorded as support at fair value at date of gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Useful lives range from 5 to 30 years. Depreciation expense is allocated to program and general expenses.

Contributions

Contributions received are recorded as increases in net assets with or without restriction depending on the existence or nature of any donor restrictions. Net assets with restriction are reclassified to net assets without restriction upon satisfaction of the time or purpose restrictions.

Donated goods and services

The Church receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the statement of activities because the criteria for recognition of such volunteer effort under FASB ASC 958 have not been satisfied.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Church is a non-profit organization statutorily exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. The Church has no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

CHURCH OF THE HOLY APOSTLES
Notes to the financial statements
December 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations

The Church receives a substantial portion of its revenue from its contributions, which is concentrated in and around West Houston.

Functional Allocation of Expenses

Expenses for the Church have been disaggregated in the Statement of Functional Expenses by both, natural and functional expense classifications. Expenses that directly relate to a program, have been allocated to that said category on the Statement of Functional Expense. Other expenses have been allocated based on management’s estimate, or time devoted by the Church’s staff.

NOTE 3 – CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the totals of the same such amounts in the statements of cash flows:

	<u>2019</u>
Cash - unrestricted	\$ 134,211
Cash - restricted for ministry purposes	13,180
Cash - restricted for facility purposes	<u>21,538</u>
	<u>\$ 168,929</u>

NOTE 4 – INVESTMENTS

Investments include funds to be held for future Church needs. The funds are held in two separate mutual funds. As of December 31, 2019, investments consist of the following:

Balance at January 1, 2019	\$ 106,385
Interest & dividends	8,415
Contributions to investments	147,000
Distribution from investments	(83,000)
Change in market value	<u>3,249</u>
Net change in investments	75,664
Balance at December 31, 2019	<u>\$ 182,049</u>

CHURCH OF THE HOLY APOSTLES
Notes to the financial statements
December 31, 2019

NOTE 4 – INVESTMENTS (continued)

The following schedule summarizes the investment income, net and its classification in the statement of activities for the year ended December 31, 2019:

	2019
Interest & dividends	\$ 8,415
Unrealized gain	3,249
Investment income, net	<u>\$ 11,664</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is 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. The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.

Level 2 – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.

Level 3 – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2019 are as follows:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds - unrestricted	\$ 54,547	\$ -	\$ -
Mutual funds - restricted	127,502		
Total Assets at Fair Value	<u>\$ 182,049</u>	<u>\$ -</u>	<u>\$ -</u>

CHURCH OF THE HOLY APOSTLES
Notes to the financial statements
December 31, 2019

NOTE 6 – PROPERTY AND EQUIPMENT, NET

As of December 31, 2019, Property and Equipment, Net consists of the following:

	<u>2019</u>
Building	\$ 6,774,724
Land	766,184
Furniture, fixtures and equipment	220,218
Software	7,930
Total	<u>7,769,056</u>
Less: accumulated depreciation	(3,995,143)
Property and equipment, net	<u><u>\$ 3,773,913</u></u>

Depreciation expense for the year ended December 31, 2019 is \$236,534.

NOTE 7 – NOTES PAYABLE

At December 31, 2019, Notes Payable consists of the following:

	<u>2019</u>
Notes payable bearing interest at 4.80% scheduled over 12 monthly interest only payments ending March 9, 2017. Effective April 9, 2017, remaining monthly payments of approximately \$12,690 for principal balance and interest. Interest rate to be adjusted annually by lender. Loan matures and is due on February 9, 2035, guaranteed by Diocese of Texas.	\$ 1,701,659
Note payable bearing interest at 2.00% scheduled over 20 annual payments \$10,000 plus accrued interest and a maturity of July 31, 2021, secured by first lien on property.	20,000
	<u>1,721,659</u>
Less current portion	80,810
Total long-term portion of notes payable	<u><u>\$ 1,640,849</u></u>

CHURCH OF THE HOLY APOSTLES
Notes to the financial statements
December 31, 2019

NOTE 7 – NOTES PAYABLE (continued)

At December 31, 2019, future minimum payments are as follows:

	Minimum Payments
2020	\$ 80,810
2021	84,567
2022	78,278
2023	82,174
2024 & thereafter	1,395,830
	<u>\$ 1,721,659</u>

NOTE 8 – NET ASSETS

The Church has both, net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are those funds that the Church can use in their daily operations as their use is not limited by a donor. Net assets without donor restrictions consist of unrestricted contributions and support, missions and outreach offerings, investment income, and other income.

Net assets with donor restrictions consist of restricted contributions, capital campaign offering, and missions and outreach offerings that limit the use of the funds for a particular purpose or time frame. When the donor’s restriction is satisfied, the funds are re-classified from net assets with donor restrictions to net assets without donor restrictions. As of December 31, 2019, net assets with donor restrictions are classified on the statement of financial position as follows:

	2019
Cash restricted for ministry and facility purposes	\$ 34,718
Investments - restricted	127,502
Total net assets with donor restrictions	<u>\$ 162,220</u>

At December 31, 2019, Net Assets consist of the following:

	2019
Net assets without donor restrictions	\$ 2,180,819
Net assets with donor restrictions	162,220
	<u>\$ 2,343,039</u>

CHURCH OF THE HOLY APOSTLES
Notes to the financial statements
December 31, 2019

NOTE 9 – OPERATING LEASES

The Church leases a printer/copier under an operating lease that expires in August 2021. At December 31, 2019, future minimum operating lease payments are as follows:

	Minimum Payments
2020	\$ 12,374
2021	6,188
2022	-
2023 and thereafter	-
	<u>\$ 18,562</u>

Lease expense for the year ended December 31, 2019 is \$15,989.

NOTE 10 – PENSION AND POSTRETIREMENT BENEFIT PLANS

As mandated by the Constitution and Canons of the Episcopal Church, the Church makes contributions to the Church Pension Plan for all eligible clergy and lay employees.

Clergy: The Church Pension Plan is a Defined Benefit Plan. Contributions to the pension plan are based on Total Assessable Compensation, which generally consists of cash salary, housing allowance, and social security tax reimbursements. Total contribution expense to the Church Pension Plan for the year ended December 31, 2019 is \$9,171.

Lay Employees: The Lay Defined Contribution Plan is a qualified plan under Section 401(a) of the Internal Revenue Code, but as a Church plan, it is not subject to ERISA. Lay employees who meet plan employment requirements are eligible to participate in the Lay Pension Plan. The Church is required to contribute 5% of eligible compensation and match up to 4% of lay employee elected contributions. Total contribution expenses to the Lay Pension Plan for the year ended December 31, 2019 is \$55,162.

NOTE 11 – CONCENTRATION OF CREDIT RISK

The financial instruments that potentially subject the Church to concentration of credit risk consist primarily of cash and cash equivalent accounts in financial institutions, which from time to time could exceed the Federal Depository Insurance Coverage (“FDIC”) limit. Management monitors the financial institutions holding the Church’s deposits to ensure that all deposits are kept in high quality financial institutions.

CHURCH OF THE HOLY APOSTLES

Notes to the financial statements

December 31, 2019

NOTE 12 – PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, the Church received a loan in the amount of \$68,400, pursuant to the Paycheck Protection Program (the “PPP loan”) under Division A, Title A of the CARES Act, which was enacted March 27, 2020. The Church applied for and was granted forgiveness for the entire amount of the PPP loan on October 31, 2020. These amounts have no impact on the December 31, 2019 financial statements.

NOTE 13 – LIQUIDITY AND AVAILABILITY

The following reflects the Church’s financial assets as of December 31, 2019, reduced by amounts not available for general use because of donor imposed restrictions for building and ministry programs, within one year of the statement of financial position date:

	<u>December 31,</u> <u>2019</u>
Financial Assets, at year-end:	
Cash and cash equivalents	\$ 134,211
Cash restricted for ministry and facility purposes	34,718
Investments - unrestricted	54,547
Investments - restricted	<u>127,502</u>
Total Financial Assets, at year-end:	350,978
Less: Donor imposed-restrictions	
Donor restrictions (building and ministry programs)	(162,220)
Financial assets available to meet cash needs for general expenditure within one year	<u><u>\$ 188,758</u></u>

The Church has \$188,758 of financial assets available for unrestricted operations consisting of unrestricted cash of \$134,211 and short-term investments of \$54,547. These financial assets are not subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The current balance is sufficient to cover over two months of budgeted operating expenses of approximately \$94,380 per month.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 16, 2020, which is the date the financial statements were issued.

This page was intentionally left blank.