

**JONATHAN B TUCKER CPA**

CHURCH OF THE HOLY APOSTLES

FINANCIAL STATEMENTS

Year Ended December 31, 2018

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# JONATHAN B TUCKER CPA

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the BOARD OF TRUSTEES of CHURCH OF THE HOLY APOSTLES

I have reviewed the accompanying financial statements of CHURCH OF THE HOLY APOSTLES (a nonprofit organization), which comprise the statement of financial position as of DECEMBER 31, 2018, 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 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, I 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.

### **Accountant's Responsibility**

My 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 me to perform procedures to obtain limited assurance as a basis for reporting whether I am 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. I believe that the results of my procedures provide a reasonable basis for my conclusion.

### **Accountant's Conclusion**

Based on my review, I am 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.

*Jonathan B Tucker CPA*

FEBRUARY 22, 2019

	DECEMBER 31, 2018
ASSETS	
CASH AND CASH EQUIVALENTS	\$ 307,655
INVESTMENTS	106,385
OTHER ASSETS	10,180
PROPERTY AND EQUIPMENT, NET	<u>3,993,294</u>
TOTAL ASSETS	<u><u>4,417,514</u></u>
LIABILITIES	
ACCOUNTS PAYABLE	5,206
ACCRUED EXPENSES	23,658
NOTES PAYABLE	<u>1,799,334</u>
TOTAL LIABILITIES	1,828,198
NET ASSETS	
WITHOUT DONOR RESTRICTION	2,341,354
WITH DONOR RESTRICTION	<u>247,962</u>
TOTAL NET ASSETS	<u><u>2,589,316</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,417,514</u></u>

## YEAR ENDED DECEMBER 31, 2018

	WITHOUT RESTRICTION	WITH RESTRICTION	TOTAL
REVENUES			
CONTRIBUTIONS AND SUPPORT	\$ 891,367	\$ 1,500	\$ 892,867
CAPITAL CAMPAIGN OFFERING	-	275,791	275,791
MISSIONS AND OUTREACH OFFERING	26,892	107,070	133,962
OTHER INCOME	29,653	1,345	30,998
	<u>947,912</u>	<u>385,706</u>	<u>1,333,618</u>
NET ASSETS RELEASED FROM RESTRICTION	<u>428,892</u>	<u>(428,892)</u>	<u>-</u>
TOTAL	1,376,804	(43,186)	1,333,618
EXPENSES			
PROGRAM EXPENSES			
WORSHIP	184,329		184,329
DISCIPLESHIP	106,455		106,455
EVANGELISM	201,472		201,472
FAMILY	462,450		462,450
LEADERSHIP	97,293		97,293
TOTAL PROGRAM EXPENSES	<u>1,051,999</u>		<u>1,051,999</u>
MANAGEMENT AND GENERAL FUNDRAISING	334,012		334,012
	<u>-</u>		<u>-</u>
TOTAL	<u>1,386,011</u>		<u>1,386,011</u>
CHANGE IN NET ASSETS	<u>(9,207)</u>	<u>(43,186)</u>	<u>(52,393)</u>
BEGINNING NET ASSETS	<u>2,350,561</u>	<u>291,148</u>	<u>2,641,709</u>
ENDING NET ASSETS	<u>\$ 2,341,354</u>	<u>\$ 247,962</u>	<u>\$ 2,589,316</u>

See accompanying Notes and Independent  
Accountant's Review Report

	YEAR ENDED DECEMBER 31, 2018							
	WORSHIP	DISCIPLESHIP	EVANGELISM	FAMILY	LEADERSHIP	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
PAYROLL AND BENEFITS	\$ 63,963	37,971	30,199	164,935	34,736	127,999	-	\$ 459,803
MISSIONS AND OUTREACH	-	-	114,048	9,336	-	-	-	123,384
MINISTRY	14,223	8,135	14,577	23,591	7,298	978	-	68,802
OPERATIONS	8,514	4,954	3,462	21,547	4,536	16,832	-	59,845
FACILITIES AND EQUIPMENT	35,512	18,568	13,451	82,867	17,002	63,085	-	230,485
DIOCESAN EXPENDITURES	16,341	9,688	6,770	42,136	8,871	32,915	-	116,721
INTEREST	12,406	7,355	5,140	31,990	6,735	24,990	-	88,616
DEPRECIATION	33,032	19,583	13,685	85,175	17,931	66,535	-	235,941
OTHER OPERATING EXPENSES	338	201	140	873	184	678	-	2,414
TOTAL	\$ 184,329	106,455	201,472	462,450	97,293	334,012	-	\$ 1,386,011

YEAR ENDED DECEMBER 31, 2018

## CASH FLOWS FROM OPERATING ACTIVITIES

CHANGE IN NET ASSETS	\$ (52,393)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
DEPRECIATION	235,941
OTHER ASSETS	3,555
ACCOUNTS PAYABLE	(3,572)
ACCRUED EXPENSES	<u>(76,195)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>107,336</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
INVESTMENTS	23,657
PROPERTY AND EQUIPMENT, NET	<u>(171,261)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(147,604)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
NOTES PAYABLE	<u>(74,467)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(74,467)</u>
NET INCREASE (DECREASE) IN CASH	(114,735)
CASH, BEGINNING OF YEAR	<u>422,390</u>
CASH, END OF YEAR	<u>\$ 307,655</u>
SUPPLEMENTAL DISCLOSURES	
INCOME TAXES PAID	\$ -
INTEREST PAID	\$ 88,615

**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.

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 in 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 family through small group discipleship.

Evangelism: 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.



**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 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.

Presentation of financial statements

The Church reports information regarding its financial position and activities according to two classes of net assets: with or without donor restriction.

Net Assets without Donor Restriction: not subject to any donor-imposed restrictions. Net Assets without Donor Restriction may be designated for specific purposes by action of the Vestry or Trustees.

Net Assets with Donor Restriction: subject to donor-imposed stipulations that may be fulfilled by actions of the Church to meet the stipulations or that become unrestricted at the date specified by the donor. Restrictions may be temporary or permanent.

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 is maintained separately and includes contributions restricted by donors for either time or use. Restricted cash is not available for operating purposes. At year end, cash and cash equivalents included only demand deposits at commercial banks.

Investments

Investments are reported at fair value. All of 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, equipment, and depreciation

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 programs 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 FAS 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 corporation 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.

**NOTE 3: CASH AND CASH EQUIVALENTS**

At December 31, 2018, Cash and Cash Equivalents consist of the following:

Cash - unrestricted	\$	59,692
Cash - restricted for ministry purposes		19,413
Cash - restricted for facility purposes		<u>228,550</u>
Total Cash and Cash Equivalents	\$	<u>307,655</u>

**NOTE 4: INVESTMENTS**

Investments include funds to be held for future Church needs. The funds are held in two separate mutual funds. At December 31, 2018, investments consist of the following:

Balance at December 31, 2017	\$	130,042
Investment income		4,759
Distribution from investments		(25,000)
Change in market value		(3,416)
Net change in investments		<u>(23,657)</u>
Balance at December 31, 2018	\$	<u>106,385</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, 2018 are as follows:

	Level 1	Level 2	Level 3
Mutual Fund	\$ 51,520	\$ -	\$ -
Mutual Fund	<u>54,865</u>	<u>-</u>	<u>-</u>
Total	\$ <u>106,385</u>	\$ <u>-</u>	\$ <u>-</u>

**NOTE 6: PROPERTY AND EQUIPMENT, NET**

At December 31, 2018, Property and Equipment, Net consists of the following:

Building	\$	6,774,724
Furniture, fixtures and equipment		203,066
Software		7,930
Accumulated depreciation		<u>(3,758,610)</u>
		3,227,110
Land		<u>766,184</u>
Total Property and Equipment, Net	\$	<u><u>3,993,294</u></u>
Total Depreciation Expense at December 31, 2018	\$	235,941

**NOTE 7: NOTES PAYABLE**

At December 31, 2018, the Notes Payable consists of the following:

Note 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.	\$	1,769,334
Note payable bearing interest at 2.00% scheduled over 20 annual payments \$10,000 plus accrued interest and a maturity of July 31, 2022, secured by first lien on property.		<u>30,000</u>
Total Notes Payable	\$	<u><u>1,799,334</u></u>

At December 31, 2018, future minimum payments are as follows:

Year ending December 31,		
2019	\$	77,675
2020		80,810
2021		84,567
2022		78,278
Thereafter		<u>1,478,004</u>
Total	\$	<u><u>1,799,334</u></u>

**NOTE 8: NET ASSETS**

At December 31, 2018, Net Assets consist of the following:

Net assets without donor restriction	\$	2,341,354
Net assets with donor restriction (building and ministry programs)		<u>247,962</u>
Total Net Assets	\$	<u><u>2,589,316</u></u>

**NOTE 9: OPERATING LEASES**

The Church leases a printer/copier under an operating lease that expires August 2021. Total lease expense for the year ended December 31, 2018 is approximately \$16,253.

At December 31, 2018, future minimum operating lease payments are as follows:

Year ending December 31,		
2019	\$	12,374
2020		12,374
2021		6,188
2022		-
Thereafter		<u>-</u>
Total	\$	<u><u>30,936</u></u>

**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, 2018 is approximately \$1,959.

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, 2018 is approximately \$14,271.

**NOTE 11: LIQUIDITY INFORMATION**

The Church has \$166,077 of financial assets available for unrestricted operations consisting of cash of \$59,692 and short-term investments of \$106,385. None of the financial assets are 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 \$82,400 per month.

The Church has \$228,550 of financial assets restricted for building purposes. The current balance is to be used for the note payable amount due in the coming year of \$77,675. The funds may also be used for other building improvement projects.

The Church has \$19,413 of financial assets restricted for ministry purposes. There are no firm commitments for these funds.

**NOTE 12: CONCENTRATIONS 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.

**NOTE 13: EVALUATION OF SUBSEQUENT EVENTS**

The Church has evaluated subsequent events through the date of the Independent Accountant's Review Report, the date which the financial statements were available to be issued. As a result of this evaluation and other than as provided below, no additional subsequent events were identified that need to be disclosed or would have an impact on reported net assets or change in net assets.