

**FRISCO FIRST BAPTIST CHURCH**

Financial Statements  
(With Auditor's Report Thereon)

Year Ended June 30, 2020

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## INDEPENDENT AUDITOR'S REPORT

Budget and Finance Team  
**Frisco First Baptist Church**  
Frisco, Texas 75034

### **Report on the Financial Statements**

I have audited the accompanying financial statements of Frisco First Baptist Church (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year 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***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Member of:  
American Institute of CPAs  
Texas Society of CPAs

***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Frisco First Baptist Church as of June 30, 2020 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.

*Nabors CPA Services, P. C.*

August 26, 2020

## **FINANCIAL STATEMENTS**

**FRISCO FIRST BAPTIST CHURCH**

Statement of Financial Position

June 30, 2020

**ASSETS:**

Current:

Cash and cash equivalents	\$ 110,753
Investments	2,727,897
Accounts receivable	266
Pledges receivable, net	1,847,323
Inventory	991
Prepaid expenses	<u>86,393</u>
Total current assets	<u>4,773,623</u>

Non-current:

Capital assets, net of accumulated depreciation	<u>13,231,775</u>
Total non-current assets	<u>13,231,775</u>

Total assets \$ 18,005,398

**LIABILITIES and NET ASSETS**

Current liabilities:

Accounts payable	\$ 74,213
Other liabilities	18,893
Deferred revenue	33,035
Note payable PPP - due within one year	<u>191,621</u>
Total current liabilities	<u>317,762</u>

Long-term liabilities:

Note payable Bank OZK	4,427,583
Note payable PPP	<u>244,079</u>
Total long-term liabilities	<u>4,671,662</u>

Total liabilities 4,989,424

Net Assets:

Without donor restrictions	7,612,791
With donor restrictions	<u>5,403,183</u>
Total net assets	<u>13,015,974</u>

Total liabilities and net assets \$ 18,005,398

The accompanying notes are an integral part of these statements.

**FRISCO FIRST BAPTIST CHURCH**Statement of Activities  
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 4,172,090	343,207	4,515,297
Building rental	2,088		2,088
Activity income	246,811		246,811
Student fees income	383,310		383,310
Interest income	22,991	48,586	71,577
Miscellaneous income	1,594		1,594
Gain/loss on investments	11,066	4,513	15,579
Net assets released from restrictions	<u>851,320</u>	<u>(851,320)</u>	
Total revenues, gains and other support	<u>5,691,270</u>	<u>(455,014)</u>	<u>5,236,256</u>
<b>EXPENSES</b>			
Program expenses:			
Ministry activities	3,379,220		3,379,220
Sonshine School and Academy	<u>524,470</u>		<u>524,470</u>
Total program expenses	<u>3,903,690</u>		<u>3,903,690</u>
Supporting expenses:			
Administrative	1,487,447		1,487,447
Fund raising	<u>107,746</u>	<u>367,481</u>	<u>475,227</u>
Total supporting expenses	<u>1,595,193</u>	<u>367,481</u>	<u>1,962,674</u>
Total expenses	<u>5,498,883</u>	<u>367,481</u>	<u>5,866,364</u>
Change in net assets	192,387	(822,495)	(630,108)
Net assets, July 1 (as restated)	<u>7,420,404</u>	<u>6,225,678</u>	<u>13,646,082</u>
Net assets, June 30	\$ <u>7,612,791</u>	<u>5,403,183</u>	<u>13,015,974</u>

The accompanying notes are an integral part of these statements.

**FRISCO FIRST BAPTIST CHURCH**

Statement of Cash Flows  
Year Ended June 30, 2020

Cash flows from operating activities:	
Gifts, offerings and fee income	\$ 7,455,622
Investment income	87,156
Cash paid to suppliers and employees	<u>(5,679,938)</u>
Net cash provided/(used) by operating activities	<u>1,862,840</u>
Cash flows from investing activities:	
Acquisition of capital assets	(751,085)
Purchase of investments	<u>(349,813)</u>
Net cash provided/(used) by investing activities	<u>(1,100,898)</u>
Cash flows from financing activities:	
Note payments	(1,500,000)
Note proceeds	<u>435,700</u>
Net cash provided/(used) by financing activities	<u>(1,064,300)</u>
Increase/(decrease) in cash and cash equivalents	(302,358)
Cash and cash equivalents at beginning of year	<u>413,111</u>
Cash and cash equivalents at end of year	\$ <u><u>110,753</u></u>

Reconciliation of Changes in Net Assets to  
Net Cash Provided by Operating Activities

Cash flows from operating activities:	
Change in net assets	\$ (630,108)
Adjustment to reconcile change in net assets to net cash provided/(used) by operating activities:	
Depreciation	323,257
(Increase)/decrease in accounts receivable	2,320,672
(Increase)/decrease in inventory	513
(Increase)/decrease in prepaid expenses	(43,067)
Increase/(decrease) in accounts payable	(77,830)
Increase/(decrease) in deferred revenue	(14,150)
Increase/(decrease) in other liabilities	<u>(16,447)</u>
Net cash provided/(used) by operating activities	\$ <u><u>1,862,840</u></u>

The accompanying notes are an integral part of these statements.



## FRISCO FIRST BAPTIST CHURCH

Notes to the Financial Statements  
For the Year Ended June 30, 2020

### (1) SUMMARY OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Nature of Activities

First Baptist Church of Frisco (Church) was organized in 1902. The Church is a nonprofit organization and is dedicated to spreading the Gospel through establishing, developing, and promoting all aspects of church ministry within Frisco, Texas, and the surrounding communities. The Church is supported primarily through contributions from the congregation.

#### B. Basis of Accounting

The financial statements of the Church were prepared using the accrual basis of accounting. Material purchases of goods and services are recorded as assets or expense at the time liabilities arise, which is normally when title to the goods pass or when the services are received. Encumbrances representing outstanding purchase orders and other commitments for materials or services not yet received are not liabilities as of the reporting date.

#### C. Basis of Presentation

In order to comply with generally accepted accounting principles, the Church must prepare its external financial statements in accordance with statements issued by the Financial Accounting Standards Board. These standards require reporting amounts for the Church's total assets, liabilities, and net assets in a statement of financial position; reporting the change in the Church's net assets in a statement of activities; and reporting the change in its cash and cash equivalents in a statement of cash flows.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in ASC 958-205-45, "*Financial Statements of Not-for-Profit Organizations*." Under ASC 958-205-45, the Church is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions, and net assets without donor restrictions.

#### D. Use of Estimates

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

#### E. Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

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**FRISCO FIRST BAPTIST CHURCH**

Notes to the Financial Statements

For the Year Ended June 30, 2020

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

F. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

G. Capital Assets

Capital assets are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Capital assets with an original cost of at least \$5,000 are capitalized.

H. Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivables is provided based upon management's judgement, including such factors as prior collection history, type of contribution, and nature of fund raising activity.

Contributions received are recorded as increases in net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

I. Income Taxes

The Church is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

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## FRISCO FIRST BAPTIST CHURCH

Notes to the Financial Statements

For the Year Ended June 30, 2020

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### (2) FINANCIAL INSTRUMENTS

The Church maintains its cash balances in a brokerage account and multiple banks in the surrounding area. The cash balances and certificates of deposit are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020, the Church had no uninsured balances.

### (3) CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Land	\$ 4,014,367			4,014,367
Buildings and improvements	11,310,285	48,925		11,359,210
Furniture, fixtures, & equipment	894,805	9,324		904,129
Vehicles	98,757			98,757
Construction in progress	942,144	692,836		1,634,980
Total capital assets	17,260,358	751,085		18,011,443
Less: accumulated depreciation	( 4,456,411)	(323,257)		(4,779,668)
Net capital assets	\$ <u>12,803,947</u>	<u>427,828</u>		<u>13,231,775</u>

Depreciation is calculated on the straight-line basis with the following estimated useful lives:

Equipment	5-10 years
Furniture and fixtures	7 years
Buildings and improvements	10-40 years

### (4) PLEDGES RECEIVABLE

The Church received pledges for a Capital Campaign to cover a three year period ending September 30, 2021. Pledges to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivables is provided based upon management's judgement, including such factors as prior collection history, type of contribution, and nature of fund raising activity and a present value calculation was made using a one percent discount factor.

Pledges receivable at June 30 were as follows:

Due in less than one year	\$ 2,020,272
Due in one to 3 years	571,889
	<u>2,592,161</u>
Present value discount	(51,076)
Allowance for doubtful accounts	<u>(693,762)</u>
Total net pledges receivable	\$ <u>1,847,323</u>

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**FRISCO FIRST BAPTIST CHURCH**

Notes to the Financial Statements

For the Year Ended June 30, 2020

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**(5) NOTES PAYABLE**

**Bank OZK**

On June 29, 2018, the Church refinanced a construction loan previously held at Inwood Bank, now with Bank OZK. The amount of the loan commitment was \$7,756,783. Commencing on July 29, 2018 and continuing on the same date of each successive calendar month thereafter (or the last day of any calendar month that does not have twenty-nine (29) days) through and including June 29, 2021 (the "Payment Adjustment Date"), monthly installments of accrued but unpaid interest at a rate of 5.5% shall be due and payable.

Commencing on July 29, 2021 and continuing on the same day of each successive calendar month thereafter through and including June 29, 2028 (the "Maturity Date"), even monthly installments of principal and accrued but unpaid interest shall be due and payable in an amount determined by the Payee to be necessary to amortize the then-outstanding principal balance hereof over a twenty-five (25) year period commencing on the Payment Adjustment Date (the "Amortization Period") at the then-applicable Interest Rate. The minimum interest rate for this loan will be 5.25%.

**PPP Loan**

On April 9, 2020, the Church obtained a loan from Bank OZK in the amount of \$435,700. Commencing on November 9, 2020 and continuing on the same day of each successive calendar month thereafter through and including April 9, 2022 (the "Maturity Date"), even monthly installments of principal and accrued but unpaid interest shall be due and payable in an amount equal to \$24,520. The minimum interest rate for this loan will be 1.00%. The loan is subject to the US Small Business Administration Paycheck Protection Program ("PPP") rules, conditions covenants & requirements. If compliance is met, the loan may be forgivable. The church anticipates that this loan will be forgiven.

Debt service requirements at the current interest rates are as follows:

Period Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2021	191,621	332,161	523,782
Thereafter	<u>4,671,662</u>	<u>1,120</u>	<u>4,672,782</u>
Total	\$ <u>4,863,283</u>	<u>333,281</u>	<u>5,196,564</u>

Changes in notes payable for the year ended June 30, 2020, are as follows:

	<u>Beginning</u>		<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
				<u>One Year</u>
Note Payable - Bank OZK	\$ 5,927,583		(1,500,000)	4,427,583
Note Payable - PPP		<u>435,700</u>		<u>435,700</u>
	<u>\$ 5,927,583</u>	<u>435,700</u>	<u>(1,500,000)</u>	<u>4,863,283</u>
				<u>191,621</u>
				<u>191,621</u>

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**FRISCO FIRST BAPTIST CHURCH**

Notes to the Financial Statements

For the Year Ended June 30, 2020

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**(6) NET ASSETS WITH DONOR RESTRICTIONS**

The Church reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

The Church reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Church reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Net assets with donor restrictions are available for the following purposes at June 30, 2020:

Benevolence	\$ 118,615
Building fund	5,119,909
D-Now	2,376
Missions ministry	<u>162,283</u>
Total	\$ <u>5,403,183</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the period as follows::

Purpose restrictions accomplished:

Benevolence	\$ 21,757
Building fund	773,766
D-Now	4,258
Missions ministry	45,511
Texas Baptist Men	2,528
Scholarships	<u>3,500</u>
Total	\$ <u>851,320</u>

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**FRISCO FIRST BAPTIST CHURCH**

Notes to the Financial Statements

For the Year Ended June 30, 2020

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**(7) OPERATING LEASES**

The Church has obligations under noncancellable lease agreements for office copier equipment. On June 30, 2016, Ricoh leased new equipment to the Church for 60 months. Future lease payments under these agreements are as follows:

Year Ending	
<u>June 30,</u>	<u>Xerox Corporation</u>
2021	30,600
Total	\$ <u>30,600</u>

**(8) COMPENSATED ABSENCES**

The Church allows employees to carry 40 up to hours of vacation over each year. Sick leave may also be carried forward, but is not paid upon termination. There was no material accrued vacation payable at June 30, 2020.

**(9) LIQUIDITY AND AVAILABILITY**

The Church's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Financial assets, at year end	\$ 13,015,974
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor imposed restrictions:	
Restricted by donor with time or purpose restrictions	<u>(5,403,183)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>7,612,791</u>

As part of the Church's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Church's leadership has established a liquidity reserve that will be sufficient to cover operating expenses for a period of at least three months (25%). The calculation of operating expenses includes expenses such as administrative, ministry programs, salaries and benefits and debt payments that are included in the budget. The amount of the Cash Reserve funding requirement will be reviewed and determined annually. The cash reserve had a balance of \$1,302,260 (23%) as of June 30, 2020 providing cash which may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

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**FRISCO FIRST BAPTIST CHURCH**

Notes to the Financial Statements

For the Year Ended June 30, 2020

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**(10) NATURAL / FUNCTIONAL EXPENSE CLASSIFICATION**

	Program Activities			Supporting Activities			Total Expenses
	Ministry Activities	Sonshine S & A	Program Sub-total	Management and General	Fund-Raising	Supporting Sub-total	
Advertising	\$ 5,117		5,117				5,117
Background checks	3,911	237	4,148	343		343	4,491
Bad Debt Expense					367,481	367,481	367,481
Bank fees	17,189		17,189	6,521	35,144	41,665	58,854
Benevolence	22,702		22,702				22,702
Catering	58,510		58,510	7,571	412	7,983	66,493
Communications	287		287	32,229		32,229	32,516
Contract Labor	109,794		109,794		70	70	109,864
Copier expense				21,160		21,160	21,160
Curriculum	27,425	2,619	30,044				30,044
Depreciation	225,181	52,820	278,001	17,197	28,059	45,256	323,257
Entrance fees	100,455		100,455				100,455
Equipment	94,408	2,450	96,858	16,232		16,232	113,090
Fees and permits	1,912		1,912	355	1,600	1,955	3,867
Furniture and fixtures	1,638		1,638	6,754		6,754	8,392
Graphics and publications	1,064		1,064				1,064
Guest speakers/band	36,283		36,283				36,283
Insurance	209,938		209,938	119,045		119,045	328,983
Interest expense				331,451		331,451	331,451
Janitorial services	319		319	151,540		151,540	151,859
Late fees				561		561	561
Lawn care				46,850		46,850	46,850
Legal and professional				13,275	42,250	55,525	55,525
Meals	21,737	115	21,852	713		713	22,565
Mileage reimbursement	2,913	8	2,921	67		67	2,988
Mission support	452,555		452,555				452,555
Music/video	1,551		1,551				1,551
Payroll	1,660,349	438,964	2,099,313	291,737		291,737	2,391,050
Pest control				3,064		3,064	3,064
Postage	8,912	245	9,157	4,479	211	4,690	13,847
Printing	24,235	4,030	28,265	1,214		1,214	29,479
Repair and maintenance	70,907		70,907	123,408		123,408	194,315
Safety and security				41,741		41,741	41,741
Sales tax	4,218	228	4,446	505		505	4,951
Scholarships	4,215		4,215				4,215
Software and support	9,735	1,382	11,117	121,730		121,730	132,847
Staff development	6,977	2,829	9,806	5,852		5,852	15,658
Study materials	1,587		1,587				1,587
Subscriptions	4,729		4,729				4,729
Supplies	116,573	16,422	132,995	6,618		6,618	139,613
T-Shirts	24,958	1,915	26,873				26,873
Travel expense	34,024		34,024	3,246		3,246	37,270
Utilities	277		277	108,089		108,089	108,366
Vehicle expense	4,969		4,969	3,900		3,900	8,869
Website	7,666	206	7,872				7,872
<b>Total Expenses</b>	<b>\$ <u>3,379,220</u></b>	<b><u>524,470</u></b>	<b><u>3,903,690</u></b>	<b><u>1,487,447</u></b>	<b><u>475,227</u></b>	<b><u>1,962,674</u></b>	<b><u>5,866,364</u></b>

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**FRISCO FIRST BAPTIST CHURCH**

Notes to the Financial Statements

For the Year Ended June 30, 2020

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**(11) RESTATEMENT OF NET ASSETS**

Net assets have been restated at June 30, 2019 to properly reclassify previously restricted net assets as unrestricted.

	<u>As Originally Reported</u>	<u>Restatement</u>	<u>As Restated</u>
Net assets without donor restrictions	\$ <u>6,767,634</u>	<u>652,770</u>	<u>7,420,404</u>
Net assets with donor restrictions	<u>6,878,448</u>	<u>(652,770)</u>	<u>6,225,678</u>
Total net assets	\$ <u><u>13,646,082</u></u>	<u>          </u>	<u><u>13,646,082</u></u>

**(12) SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 26, 2020, which is the date the financial statements were issued.