

FRISCO FIRST BAPTIST CHURCH

Financial Statements
(With Auditor's Report Thereon)

Year Ended June 30, 2023

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Nabors CPA Services, P.C.
CERTIFIED PUBLIC ACCOUNTANT
AUDIT, TAX AND CONSULTING SERVICES

(972) 464-1226
8765 Stockard Drive, Suite 404
Frisco, Texas 75034

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. I am required to be independent of Frisco First Baptist Church and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibility of Management 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, 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 Frisco First Baptist Church's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Member of:
American Institute of CPAs
Texas Society of CPAs

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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, including omissions, 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, I:

- . Exercise professional judgment and maintain professional skepticism throughout the audit.
- . Identify and assess the risks 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.
- . Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, Frisco First Baptist 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Frisco First Baptist Church's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Nabors CPA Services, P.C.

September 20, 2023

FINANCIAL STATEMENTS

FRISCO FIRST BAPTIST CHURCH

Statement of Financial Position

June 30, 2023

ASSETS:

Current:

Cash and cash equivalents	\$ 867,659
Investments	1,924,902
Inventory	2,236
Prepaid expenses	<u>143,007</u>
Total current assets	<u>2,937,804</u>

Non-current:

Capital assets, net of accumulated depreciation and amortization	<u>15,315,498</u>
Total non-current assets	<u>15,315,498</u>

Total assets \$ 18,253,302

LIABILITIES and NET ASSETS

Current liabilities:

Accounts payable	\$ 84,172
Other liabilities	61,104
Deferred revenue	79,428
Note payable Point Bank - due within one year	<u>126,732</u>
Total current liabilities	<u>351,436</u>

Long-term liabilities:

Note payable Point Bank	<u>4,362,560</u>
Total long-term liabilities	<u>4,362,560</u>

Total liabilities 4,713,996

Net Assets:

Without donor restrictions	12,703,097
With donor restrictions	<u>836,209</u>
Total net assets	<u>13,539,306</u>

Total liabilities and net assets \$ 18,253,302

The accompanying notes are an integral part of these statements.

FRISCO FIRST BAPTIST CHURCHStatement of Activities
Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 4,742,714	664,995	5,407,709
Activity income	431,685		431,685
Student fees income	439,376		439,376
Interest income	70,393		70,393
Miscellaneous income	8,843		8,843
Gain/loss on investments	1,239		1,239
Net assets released from restrictions	<u>268,224</u>	<u>(268,224)</u>	
Total revenues, gains and other support	<u>5,962,474</u>	<u>396,771</u>	<u>6,359,245</u>
EXPENSES			
Program expenses:			
Ministry activities	3,914,768		3,914,768
Sonshine School and Academy	<u>523,425</u>		<u>523,425</u>
Total program expenses	<u>4,438,193</u>		<u>4,438,193</u>
Supporting expenses:			
Administrative	1,554,669		1,554,669
Fund raising	<u>54,180</u>		<u>54,180</u>
Total supporting expenses	<u>1,608,849</u>		<u>1,608,849</u>
Total expenses	<u>6,047,042</u>		<u>6,047,042</u>
Change in net assets	(84,568)	396,771	312,203
Net assets, July 1 (as restated)	<u>12,787,665</u>	<u>439,438</u>	<u>13,227,103</u>
Net assets, June 30	\$ <u>12,703,097</u>	<u>836,209</u>	<u>13,539,306</u>

The accompanying notes are an integral part of these statements.

FRISCO FIRST BAPTIST CHURCH

Statement of Cash Flows
Year Ended June 30, 2023

Cash flows from operating activities:	
Gifts, offerings and fee income	\$ 6,347,834
Investment income	71,632
Cash paid to suppliers and employees	<u>(5,700,093)</u>
Net cash provided/(used) by operating activities	<u>719,373</u>
Cash flows from investing activities:	
Acquisition of capital assets	(339,816)
Purchase/sale of investments	<u>611,153</u>
Net cash provided/(used) by investing activities	<u>271,337</u>
Cash flows from financing activities:	
Note payments	<u>(181,963)</u>
Net cash provided/(used) by financing activities	<u>(181,963)</u>
Increase/(decrease) in cash and cash equivalents	808,747
Cash and cash equivalents at beginning of year	<u>58,912</u>
Cash and cash equivalents at end of year	\$ <u><u>867,659</u></u>

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

Cash flows from operating activities:	
Change in net assets	\$ 312,203
Adjustment to reconcile change in net assets to net cash provided/(used) by operating activities:	
Depreciation	442,555
(Increase)/decrease in accounts receivable	38
(Increase)/decrease in inventory	(267)
(Increase)/decrease in prepaid expenses	(33,467)
Increase/(decrease) in accounts payable	(60,652)
Increase/(decrease) in deferred revenue	60,183
Increase/(decrease) in other liabilities	<u>(1,220)</u>
Net cash provided/(used) by operating activities	\$ <u><u>719,373</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, 2023

(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. The Church operates under a local DBA, Frisco First Baptist Church.

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.

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FRISCO FIRST BAPTIST CHURCH

Notes to the Financial Statements

For the Year Ended June 30, 2023

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(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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FRISCO FIRST BAPTIST CHURCH

Notes to the Financial Statements

For the Year Ended June 30, 2023

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(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Income Taxes

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

(2) FINANCIAL INSTRUMENTS

The Church maintains its cash balances in local banks in the surrounding area. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. Certificates of deposit are held by the Southern Baptist Texas Foundation and are not insured by FDIC or SIPC. At June 30, 2022, the Church had uninsured cash balances of \$619,361, and had uninsured certificate of deposit balances of \$1,924,902.

(3) CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Land	\$ 6,017,523			6,017,523
Buildings and improvements	11,358,802	390,607		11,749,409
Furniture, fixtures, & equipment	1,544,554	44,249		1,588,803
Vehicles	99,400	45,300		144,700
ROU Copier Lease		84,000		84,000
Construction in progress	1,932,933	105,799	(246,150)	1,792,582
Total capital assets	20,953,212	669,955	(246,150)	21,377,017
Less: accumulated depreciation	(5,585,364)	(442,555)		(6,027,919)
accumulated amortization		(33,600)		(33,600)
Net capital assets	\$ <u>15,367,848</u>	<u>193,800</u>	<u>(246,150)</u>	<u>15,315,498</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

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FRISCO FIRST BAPTIST CHURCH

Notes to the Financial Statements

For the Year Ended June 30, 2023

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(4) NOTES PAYABLE

Point Bank

On November 18, 2021, the Church refinanced a construction loan previously held at Bank OZK, now with Point Bank. The amount of the loan commitment was \$4,741,500. Commencing on December 18, 2021 and continuing on the same date of each successive calendar month thereafter, principal and interest payments of \$23,840 shall be due and payable until the entire indebtedness evidenced by this note is fully paid, except that any remaining indebtedness, principal and interest if not sooner paid, shall be due and payable in full on or before November 18, 2031. Interest will be calculated on the unpaid principal to the day of each installment payment. Each payment will be credited first to the accrued interest and then to reduction of principal. The minimum interest rate for this loan will be 3.49%.

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

Period Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	126,732	159,343	286,075
2025	131,726	154,349	286,075
2026	136,464	149,611	286,075
2027	141,372	144,703	286,075
2028	146,073	140,002	286,075
Thereafter	<u>3,806,925</u>	<u>446,137</u>	<u>4,253,062</u>
Total	\$ <u>4,489,292</u>	<u>1,194,145</u>	<u>5,683,437</u>

Changes in notes payable for the year ended June 30, 2023, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note Payable - Point Bank	4,671,255	_____	(181,963)	4,489,292	126,732
	\$ <u>4,671,255</u>	=====	<u>(181,963)</u>	<u>4,489,292</u>	<u>126,732</u>

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FRISCO FIRST BAPTIST CHURCH

Notes to the Financial Statements

For the Year Ended June 30, 2023

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(5) 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, 2023:

Texas Baptist Men	\$ 200
Benevolence	111,593
Building fund	703,252
Missions ministry	<u>21,164</u>
Total	\$ <u>836,209</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	\$ 32,109
Building fund	9,925
D-Now	1,296
Missions ministry	<u>224,894</u>
Total	\$ <u>268,224</u>

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FRISCO FIRST BAPTIST CHURCH

Notes to the Financial Statements

For the Year Ended June 30, 2023

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(6) OPERATING LEASES

The Church has obligations under noncancellable lease agreements for office copier equipment. On June 28, 2021, Ricoh delivered a new copier and leased payments of \$1,400 began for a term of 60 months. Accounting standard ASC 842 requires a right of use asset be recorded on the balance sheet with an offsetting liability. The difference between the value of the original asset and the current year liability balance is recorded as accumulated amortization on a straight-line basis to correlate with the annual lease payments. Future lease payments under this agreement are as follows:

Year Ending <u>June 30,</u>	<u>Ricoh Corporation</u>
2024	16,800
2025	16,800
2026	<u>16,800</u>
Total	\$ <u>50,400</u>

(7) 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, 2023.

(8) 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	\$ 2,937,804
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>(836,209)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>2,101,595</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 \$1,114,863 (8%) as of June 30, 2023 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, 2023

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(9) 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	\$ 260	75	335				335
Background checks	2,381	181	2,562	219		219	2,781
Bank fees	24,214	1	24,215	30,965	3,925	34,890	59,105
Benevolence	32,233		32,233				32,233
Catering	90,641	1,685	92,326	17,171		17,171	109,497
Communications	253		253	27,750	6,000	33,750	34,003
Contract Labor	73,234		73,234	3,581		3,581	76,815
Copier expense				15,844		15,844	15,844
Curriculum	16,888	4,184	21,072				21,072
Depreciation	309,789	66,383	376,172	22,128	44,255	66,383	442,555
Entrance fees	74,844		74,844	1,090		1,090	75,934
Equipment	120,059	2,032	122,091	15,980		15,980	138,071
Fees and permits	2,716		2,716	350		350	3,066
Furniture and fixtures	691		691	2,621		2,621	3,312
Graphics and publications	161	250	411				411
Guest speakers/band	111,241		111,241				111,241
Insurance	214,476		214,476	155,412		155,412	369,888
Interest expense				162,303		162,303	162,303
Janitorial services	100		100	217,326		217,326	217,426
Late fees				492		492	492
Lawn care				42,583		42,583	42,583
Legal and professional				12,292		12,292	12,292
Meals	22,220	683	22,903	368		368	23,271
Mileage reimbursement	2,856		2,856	486		486	3,342
Mission support	546,469		546,469				546,469
Music/video	2,583		2,583				2,583
Payroll	1,845,575	411,864	2,257,439	303,327		303,327	2,560,766
Pest control				3,312		3,312	3,312
Postage	3,491	62	3,553	2,129		2,129	5,682
Printing	21,061	4,741	25,802	194		194	25,996
Repair and maintenance	6,272		6,272	159,417		159,417	165,689
Safety and security	1,125		1,125	58,170		58,170	59,295
Sales tax	4,121	73	4,194	525		525	4,719
Software and support	6,989	1,465	8,454	122,136		122,136	130,590
Staff development	19,337	4,230	23,567	12,151		12,151	35,718
Study materials	1,625		1,625				1,625
Subscriptions	4,285		4,285				4,285
Supplies	169,844	22,124	191,968	20,505		20,505	212,473
T-Shirts	23,888	3,128	27,016				27,016
Travel expense	147,979		147,979	3,068		3,068	151,047
Utilities	165		165	138,232		138,232	138,397
Vehicle expense				2,542		2,542	2,542
Website	10,702	264	10,966				10,966
Total Expenses	\$ <u>3,914,768</u>	<u>523,425</u>	<u>4,438,193</u>	<u>1,554,669</u>	<u>54,180</u>	<u>1,608,849</u>	<u>6,047,042</u>

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FRISCO FIRST BAPTIST CHURCH

Notes to the Financial Statements

For the Year Ended June 30, 2023

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(10) RESTATEMENT OF NET ASSETS

Net assets have been restated at June 30, 2022 to reclassify unrestricted netassets.

	As Originally <u>Reported</u>	<u>Restatement</u>	<u>As Restated</u>
Net assets without donor restrictions	\$ 12,459,501	328,164	12,787,665
Net assets with donor restrictions	<u>767,602</u>	<u>(328,164)</u>	<u>439,438</u>
Total net assets	\$ <u><u>13,227,103</u></u>	<u> </u>	<u><u>13,227,103</u></u>

(11) SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 20, 2023, which is the date the financial statements were issued.