



Batts Morrison
Wales & Lee

CERTIFIED PUBLIC ACCOUNTANTS

The Village Church Denton

Financial Statements

For The Years Ended July 31, 2023 and 2022



Batts Morrison
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CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT AUDITOR

The Elders
The Village Church Denton
Denton, Texas

Opinion

We have audited the accompanying financial statements of The Village Church Denton (“the Church”), which consist of the statements of financial position as of July 31, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Village Church Denton as of July 31, 2023 and 2022, the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Church’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our 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 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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.

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- Obtain an understanding of internal control relevant to the audit 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 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Plano, Texas
March 25, 2024

THE VILLAGE CHURCH DENTON
STATEMENTS OF FINANCIAL POSITION

ASSETS

	July 31,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 693,060	\$ 1,449,361
Certificate of deposit	252,760	—
Other assets	14,211	15,708
Property and equipment, net	3,710,434	3,671,807
Total assets	\$ 4,670,465	\$ 5,136,876

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 81,002	\$ 58,606
Total liabilities	81,002	58,606

NET ASSETS

Without donor restrictions		
Undesignated	690,774	1,283,584
Designated for property and equipment	3,710,434	3,671,807
Elder designated	152,479	94,179
Total without donor restrictions	4,553,687	5,049,570
With donor restrictions	35,776	28,700
Total net assets	4,589,463	5,078,270
Total liabilities and net assets	\$ 4,670,465	\$ 5,136,876

The Accompanying Notes are an Integral
Part of These Financial Statements

THE VILLAGE CHURCH DENTON
STATEMENTS OF ACTIVITIES

	For The Years Ended July 31,					
	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS						
Contributions	\$ 1,628,300	\$ 8,276	\$ 1,636,576	\$ 1,935,883	\$ 12,400	\$ 1,948,283
Other revenue	88,397	—	88,397	51,497	—	51,497
Net assets released from restrictions	<u>1,200</u>	<u>(1,200)</u>	<u>—</u>	<u>4,393</u>	<u>(4,393)</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>1,717,897</u>	<u>7,076</u>	<u>1,724,973</u>	<u>1,991,773</u>	<u>8,007</u>	<u>1,999,780</u>
EXPENSES						
Program activities	1,974,768	—	1,974,768	1,933,975	—	1,933,975
Supporting activities	<u>239,012</u>	<u>—</u>	<u>239,012</u>	<u>226,511</u>	<u>—</u>	<u>226,511</u>
Total expenses	<u>2,213,780</u>	<u>—</u>	<u>2,213,780</u>	<u>2,160,486</u>	<u>—</u>	<u>2,160,486</u>
CHANGE IN NET ASSETS	(495,883)	7,076	(488,807)	(168,713)	8,007	(160,706)
NET ASSETS - Beginning of year	<u>5,049,570</u>	<u>28,700</u>	<u>5,078,270</u>	<u>5,218,283</u>	<u>20,693</u>	<u>5,238,976</u>
NET ASSETS - End of year	<u>\$ 4,553,687</u>	<u>\$ 35,776</u>	<u>\$ 4,589,463</u>	<u>\$ 5,049,570</u>	<u>\$ 28,700</u>	<u>\$ 5,078,270</u>

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THE VILLAGE CHURCH DENTON
STATEMENTS OF CASH FLOWS

	For The Years Ended	
	July 31,	
	2023	2022
OPERATING CASH FLOWS		
Cash received from contributors	\$ 1,636,576	\$ 1,948,283
Cash received from other activities	88,397	51,497
Cash paid for operating activities and costs	(1,988,245)	(1,956,838)
Net operating cash flows	(263,272)	42,942
INVESTING CASH FLOWS		
Purchase of certificate of deposit	(252,760)	—
Purchases of and improvements to property and equipment	(240,269)	(269,677)
Net investing cash flows	(493,029)	(269,677)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(756,301)	(226,735)
CASH AND CASH EQUIVALENTS - Beginning of year	1,449,361	1,676,096
CASH AND CASH EQUIVALENTS - End of year	\$ 693,060	\$ 1,449,361
RECONCILIATION OF CHANGE IN NET ASSETS TO NET		
OPERATING CASH FLOWS		
Change in net assets	\$ (488,807)	\$ (160,706)
Adjustments to reconcile change in net assets to net operating cash flows		
Depreciation	201,642	197,502
Change in other assets	1,497	(3,081)
Change in accounts payable and accrued expenses	22,396	9,227
Net operating cash flows	\$ (263,272)	\$ 42,942

The Accompanying Notes are an Integral
Part of These Financial Statements

THE VILLAGE CHURCH DENTON
STATEMENTS OF FUNCTIONAL EXPENSES

For The Year Ended July 31, 2023

	<u>Program activities</u>	<u>Supporting activities</u>	<u>Total expenses</u>
Salaries and benefits	\$ 1,012,373	\$ 112,486	\$ 1,124,859
Missions	261,856	—	261,856
Ministry expenses	224,243	—	224,243
Facilities	186,946	20,725	207,671
Depreciation	181,478	20,164	201,642
Operating expenses and other	<u>107,872</u>	<u>85,637</u>	<u>193,509</u>
Total expenses	<u>\$ 1,974,768</u>	<u>\$ 239,012</u>	<u>\$ 2,213,780</u>

For The Year Ended July 31, 2022

	<u>Program activities</u>	<u>Supporting activities</u>	<u>Total expenses</u>
Salaries and benefits	\$ 919,054	\$ 102,117	\$ 1,021,171
Missions	268,456	—	268,456
Ministry expenses	261,706	59	261,765
Facilities	199,921	22,213	222,134
Depreciation	177,751	19,751	197,502
Operating expenses and other	<u>107,087</u>	<u>82,371</u>	<u>189,458</u>
Total expenses	<u>\$ 1,933,975</u>	<u>\$ 226,511</u>	<u>\$ 2,160,486</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

THE VILLAGE CHURCH DENTON
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES

The Village Church Denton (“the Church”) is a not-for-profit Texas corporation which operates a Church for the purpose of bringing glory to God by being and making disciples of Jesus Christ. The Church is located in Denton, Texas.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Church recognizes cash contributions as revenue when the contributions are received by the Church. Contributions received are recorded as without or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as “net assets released from restrictions.”

Cash and cash equivalents

The Church considers investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

Certificate of deposit

The Church’s certificate of deposit matures in December 2023 and bears interest at 4.38% per annum.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Net assets

Net assets without donor restrictions are available for use at the discretion of the Elders and/or management for general operating purposes. Elder designated net assets consist of amounts designated for various reserve purposes. Net assets with donor restrictions consist of amounts restricted for missions and benevolence needs.

Functional allocation of expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time and space utilization.

Income taxes

The Church is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to Texas law. The Church is further classified as a public charity and not a private foundation for federal tax purposes. The Church has not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying financial statements.

Use of estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those used in determining the useful lives of property and equipment. Actual results could differ from the estimates.

THE VILLAGE CHURCH DENTON
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent events

The Church has evaluated for possible financial reporting and disclosure subsequent events through the date of the report of independent auditor, the date as of which the financial statements were available to be issued.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year of the date of the statements of financial position are as follows:

	July 31,	
	2023	2022
Financial assets available:		
Cash and cash equivalents	\$ 693,060	\$ 1,449,361
Certificate of deposit (matures December 2023)	252,760	—
Investments (included in “other assets”)	9,949	9,202
Receivables (included in “other assets”)	1,612	2,956
Total financial assets available within one year	957,381	1,461,519
Less:		
Amounts held subject to Elder designations	(152,479)	(94,179)
Net financial assets available within one year	\$ 804,902	\$ 1,367,340

The Church is primarily supported by contributions. As part of the Church’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Elders have designated certain amounts for various reserve purposes. Because of the nature of the designations, these amounts may not be available for general expenditure within the next year; however, the Elders could make them available if necessary. The Church has donor-restricted assets that are available for general expenditure within one year because the restrictions on net assets are expected to be met by conducting the normal activities of the Church in the coming year. Management believes the Church has sufficient financial assets available for general operations that may be drawn upon in the event of unanticipated financial distress or immediate liquidity need.

NOTE D – CONCENTRATIONS

The Church maintains its cash and cash equivalents and certificate of deposit in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Church has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents and its certificate of deposit.

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Category	July 31,	
	2023	2022
Land	\$ 389,828	\$ 389,828
Buildings and building improvements	5,511,674	5,456,911
Furniture, fixtures, and equipment	229,331	204,688
Construction in progress	160,862	—
Total property and equipment	6,291,695	6,051,427

THE VILLAGE CHURCH DENTON
NOTES TO FINANCIAL STATEMENTS

NOTE E - PROPERTY AND EQUIPMENT (Continued)

Category	July 31,	
	2023	2022
Total property and equipment	\$ 6,291,695	\$ 6,051,427
Less: Accumulated depreciation	(2,581,261)	(2,379,620)
Net property and equipment	\$ 3,710,434	\$ 3,671,807

Depreciation expense amounted to \$201,642 and \$197,502 for the years ended July 31, 2023 and 2022, respectively.

NOTE F - RETIREMENT PLAN

The Church maintains a defined contribution retirement plan for eligible employees (“the Plan”). Eligible employees may make elective deferrals to the Plan up to the maximum amount allowed by the Internal Revenue Code. The Church makes an annual matching contribution to employee accounts based on years of service. The Church contributed approximately \$35,000 and \$32,000 to the Plan on behalf of eligible employees during the years ended July 31, 2023 and 2022, respectively.