

**THE VILLAGE CHURCH DENTON**

FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT

FOR THE YEAR ENDED  
JULY 31, 2016

# THE VILLAGE CHURCH DENTON

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**HANKINS, EASTUP, DEATON,  
TONN & SEAY**  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

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**Independent Auditors' Report**

The Village Church Denton  
Denton, Texas

We have audited the accompanying financial statements of The Village Church Denton (a nonprofit organization), which comprise the statement of financial position as of July 31, 2016, 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**

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 of 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 The Village Church Denton as of July 31, 2016, 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.

*Hankins, Eastup, Deaton, Tonn & Seay*

Hankins, Eastup, Deaton, Tonn & Seay  
Denton, Texas  
December 21, 2016

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THE VILLAGE CHURCH DENTON

STATEMENT OF FINANCIAL POSITION  
JULY 31, 2016

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ASSETS:

Current Assets:

Cash and cash equivalents	\$ 775,453
Prepaid expenses	5,642
Total Current Assets	<u>781,095</u>

Land, building and equipment (net)	<u>4,310,319</u>
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TOTAL ASSETS	<u><u>\$ 5,091,414</u></u>
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LIABILITIES AND NET ASSETS:

Liabilities:

Current Liabilities:

Accounts payable	\$ 35,199
Payroll deductions payable	3,688
Total Current Liabilities	<u>38,887</u>

Net Assets:

Unrestricted:

Undesignated	742,208
Fixed assets	4,310,319
Total Unrestricted	<u>5,052,527</u>
Temporarily restricted	-
Permanently restricted	-
Total Net Assets	<u>5,052,527</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,091,414</u></u>
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See Accompanying Notes to Financial Statements

THE VILLAGE CHURCH DENTON

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JULY 31, 2016

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Revenue and Other Support:	
Tithes and offerings	\$ 2,069,091
Program revenue	14,129
Insurance proceeds	58,375
Other revenue	5,304
Interest income	82
Total Revenue and Other Support	<u>2,146,981</u>
Expenses:	
General operations:	
Personnel	925,590
Missions support	110,336
Ministries	169,825
Office expense	82,934
Utilities and telephone	50,141
Repairs and maintenance	92,999
Insurance	16,252
Contract services/professional fees	65,139
Supplies	26,406
Staff expenses/professional development	39,022
Depreciation	202,549
Total Expenses	<u>1,781,193</u>
Change in Net Assets	365,788
Net Assets, Beginning of Period	<u>4,686,739</u>
Net Assets, End of Period	<u><u>\$ 5,052,527</u></u>

See Accompanying Notes to Financial Statements

THE VILLAGE CHURCH DENTON

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JULY 31, 2016

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Cash Flows from Operating Activities:	
Change in net assets	\$ 365,788
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	202,549
(Increase) decrease in prepaid expenses	(5,642)
Increase (decrease) in accounts payable	35,199
Increase (decrease) in payroll deductions payable	3,688
Net Cash Provided by Operating Activities	<u>601,582</u>
 Cash Flows from Investing Activities:	
Purchase of fixed assets	<u>(326,129)</u>
Net Cash Provided (Used) by Investing Activities	<u>(326,129)</u>
 Net Increase in Cash and Cash Equivalents	275,453
 Cash and Cash Equivalents at Beginning of Period	<u>500,000</u>
 Cash and Cash Equivalents at End of Period	<u>\$ 775,453</u>

See Accompanying Notes to Financial Statements

## THE VILLAGE CHURCH DENTON

### NOTES TO FINANCIAL STATEMENTS JULY 31, 2016

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#### **NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

##### Nature of Activities

The Village Church Denton (the "Church") is a nonprofit corporation established under the laws of the State of Texas and operates under its own constitution and bylaws as an autonomous church. The Church is dedicated to spreading the gospel through establishing, developing and promoting gospel-centered ministry in the Denton, Texas area. The Church is supported primarily through contributions from the congregation. The Church's programs consist of its worship and ministry programs, mission involvement in the community and around the world, and children, youth and adult educational programs.

Prior to August 1, 2015, the Church was a campus under the umbrella of First Baptist Church of Highland Village dba The Village Church ("Highland Village"). Effective August 1, 2015 the Church spun off from Highland Village into a separate corporation under a mutual agreement by both parties. The Denton campus property owned by Highland Village was transferred at cost to the Church along with some cash reserves. While the Church continues to cooperate and work with Highland Village in many ways, the Church operates as a separate entity.

##### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Church and changes therein are classified and reported as follows:

Unrestricted Net Assets – not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Elders or the Church.

Temporarily Restricted Net Assets – 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. The Church has no temporarily restricted net assets at July 31, 2016.

Permanently Restricted Net Assets – subject to donor-imposed stipulations that they be retained and invested permanently by the Church to use all or part of the investment return on these net assets for specified or unspecified purposes. The Church has no permanently restricted net assets at July 31, 2016.



## THE VILLAGE CHURCH DENTON

### NOTES TO FINANCIAL STATEMENTS JULY 31, 2016

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#### Contributions

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Under SFAS No. 116, contributions that are required to be reported as temporarily restricted support are then reclassified to unrestricted net assets upon expiration of time restrictions or satisfaction of donor restrictions.

#### Contributed Services and Materials

In addition to receiving cash contributions, the Church occasionally receives in-kind contributions from various donors. It is the policy of the Church to record the estimated fair market value of certain in-kind donations as an asset or expense in its financial statements, and similarly increase donations by a like amount.

A substantial number of volunteers have donated significant amounts of time to the Church's programs and supporting services. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. For the year ended July 31, 2016, there were no amounts recorded for contributed services and materials.

#### Estimates

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

#### Income Taxes

The Church is a nonprofit corporation statutorily exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. However, certain income generated from activities unrelated to the Church's exempt purpose is subject to tax under Section 511. The Church has been classified as a supporting organization under Section 509(a)(3) and as such is not a private foundation. The Church had no unrelated business taxable income during the year ended July 31, 2016.

## THE VILLAGE CHURCH DENTON

### NOTES TO FINANCIAL STATEMENTS

JULY 31, 2016

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#### Cash Equivalents

For purposes of the statement of cash flows, the Church considers all unrestricted cash and money market savings accounts to be cash equivalents.

#### Budget

The Church prepares an annual accrual-basis budget for the disbursement of its non-designated receipts. Budgetary comparisons are not included in these financial statements. The budget is presented at a meeting of the Church called for the purpose of presenting the budget and later adopted during a regularly-scheduled worship service of the Church. If a change in the approved budget is required due to unforeseen circumstances, the Board of Elders may approve amendments to the budget during the year, according to the respective approval levels.

#### Subsequent Events

Management has reviewed events subsequent to July 31, 2016 through December 21, 2016, which is the date the financial statements were available to be issued. No subsequent events were identified that were required to be recorded or disclosed.

#### Property and Equipment

All acquisitions of property and equipment in excess of \$2,500 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 their estimated fair value at the date of gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Church reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Church reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful life of assets.

The class lives of the more significant items within each property classification are as follows:

Equipment	3 to 7 years
Furniture and fixtures	10 years
Buildings	40 years
Building improvements	15 years

Depreciation expense was \$202,549 for the year ended July 31, 2016.

**THE VILLAGE CHURCH DENTON**

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2016

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**NOTE 2 – LAND, BUILDINGS AND EQUIPMENT**

Land, building and equipment consists of the following at July 31, 2016:

Land	\$ 315,000
Buildings and improvements	5,140,853
Furniture, fixtures, equipment	<u>95,309</u>
	5,551,162
Less accumulated depreciation	<u>(1,240,843)</u>
	<u>\$4,310,319</u>

Land is not depreciated.

**NOTE 3 – RETIREMENT PLAN**

Employees of the Church participate in a defined contribution retirement plan with Guidestone Financial Resources ("Guidestone"). The Church makes employer matching contributions for an employee who contributes elective deferrals to their respective retirement account at Guidestone. The Church's contribution is a percentage based upon the employee's annual salary.

**NOTE 4 - CONCENTRATION OF CREDIT RISK**

The Church is supported by contributions from the public. During the year ended July 31, 2016, there were no major contributors who provided a significant amount of contributions. It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term. The Church's market is concentrated in the Denton, Texas area.

The Church maintains cash balances in banks. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor per bank. At July 31, 2016, the Church had \$463,846 in uninsured balances.