

PROVIDENCE CHURCH

Frisco, Texas

Financial Statements

Year Ended December 31, 2013

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Financial Statements
Year Ended December 31, 2013

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Elders and Finance Team
Providence Church
Frisco, Texas

We have reviewed the accompanying statement of financial position of Providence Church (the "Church"), a Texas nonprofit organization, as of December 31, 2013, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Church 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, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

PSK LLP

Arlington, TX
February 5, 2014

PROVIDENCE CHURCH
Statement of Financial Position
December 31, 2013

ASSETS

Current assets	
Cash	\$ 384,231
Prepaid expenses	<u>157</u>
Total current assets	384,388
Property and equipment	
Land	2,831,000
Building and improvements	2,781,042
Furniture, fixtures and equipment	199,071
Less: Accumulated depreciation	<u>(495,471)</u>
Total property and equipment, net	<u>5,315,642</u>
Total assets	<u>\$ 5,700,030</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$ 2,774
Note payable	<u>4,774,714</u>
Total liabilities	<u>4,777,488</u>
Net assets	
Unrestricted	<u>922,542</u>
Total liabilities and net assets	<u>\$ 5,700,030</u>

See accountants' review report.

The accompanying notes are an integral part of these financial statements.

PROVIDENCE CHURCH
Statement of Activities
Year Ended December 31, 2013

Changes in unrestricted net assets:

Revenues

Tithes and contributions	\$ 1,211,266
Program fees	10,715
Other income	1,661
Interest income	<u>245</u>

Total revenues	<u>1,223,887</u>
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Expenses

Program expenses

Worship and communication	163,831
Adults	140,566
Children and youth	68,240
Missions and benevolence	37,251
Care	24,760
Hospitality	<u>2,652</u>

Total program expenses	<u>437,300</u>
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Supporting services

Depreciation	124,564
Facilities	93,278
Administrative personnel	84,830
Other	<u>45,801</u>

Total supporting services	<u>348,473</u>
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Interest expense	<u>313,541</u>
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Total expenses	<u>1,099,314</u>
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Change in net assets	124,573
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Net assets at beginning of the year	<u>797,969</u>
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Net assets at end of the year	<u>\$ 922,542</u>
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See accountants' review report.

The accompanying notes are an integral part of these financial statements.

PROVIDENCE CHURCH
Statement of Cash Flows
Year Ended December 31, 2013

Cash flows from operating activities	
Change in net assets	\$ 124,573
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	124,564
Change in prepaid expenses	(157)
Change in accounts payable and accrued expenses	<u>(9,697)</u>
Net cash provided by operating activities	<u>239,283</u>
Cash flows from investing activities	
Purchases of improvements and equipment	<u>(1,450)</u>
Cash flows from financing activities	
Principal payments on note payable	<u>(89,558)</u>
Net change in cash	148,275
Cash at beginning of the year	<u>235,956</u>
Cash at end of the year	<u><u>\$ 384,231</u></u>
Supplemental disclosure:	
Cash paid for interest	<u><u>\$ 313,541</u></u>

See accountants' review report.

The accompanying notes are an integral part of these financial statements.

PROVIDENCE CHURCH
Notes to Financial Statements

1 - Background

Providence Church (the “Church”), formerly known as Providence Village Church, is incorporated in the state of Texas as a nonprofit religious organization. The Church's mission is to provide pastoral, educational and other ministries to the Frisco, Texas area. The Church is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as other than a private foundation.

2 - Summary of Significant Accounting Policies

Basis of Accounting - The financial statements of the Church have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables and other liabilities. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation - As required by the Not-for-Profit Entities Classification of Net Assets topic of the Financial Accounting Standards Board *Accounting Standards Codification* (“FASB ASC”), the Church reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and / or nature of any donor restrictions. Donor restrictions require advance approval of the Church’s elders. The Church did not receive any donor restricted contributions during the year ended December 31, 2013.

Programs - The Church pursues its mission through the execution of the following major programs:

Worship and communication - Weekly and special worship services of the Church, including teaching, music, communion, and baptism.

Adults - Ministry of community groups, ministries to men and women, educational classes and resources for families, outreach events, and deacon care.

Children and youth - Partnership with parents to help children and youth know and follow Christ by means of Sunday classes, take-home curriculum for parents, and other events.

Missions and benevolence - Support of missions and to engage members in missions related to church planting locally, nationally, and globally, and to provide financial benevolence to members and Frisco residents.

Care - Individual care for members through Redemption groups, Biblical counseling classes and outsourced counseling.

Hospitality - Ministry of welcoming Sunday morning attendees, which includes greeters, ushers, connections’ people and coffee.

Supporting Services - The Church incurs certain costs not directly related to any single program but rather to support the Church’s ministry efforts in general. These supporting services include facility costs and administrative personnel.

Use of Estimates - Management makes estimates in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

PROVIDENCE CHURCH
Notes to Financial Statements

2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents - The Church considers all short term investments with an original maturity of three months or less to be cash equivalents. At December 31, 2013, the Church had no cash equivalents.

Property and Equipment - Property and equipment are recorded at cost. Donated assets are recorded at fair market value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Building and improvements	30 years
Furniture, fixtures and equipment	5 to 7 years

Depreciation expense for the year ended December 31, 2013 amounted to \$124,564.

Revenues - Revenues are derived from contributions from Church membership and fees collected for ministry activities.

Donated Assets - Donated marketable securities and other noncash donations are recorded as tithes and offerings at their estimated fair values at the date of donation.

Donated Services - No amounts have been reflected in the financial statements for donated services. The Church pays for most services requiring specific expertise. A large number of people have contributed significant amounts of time to the activities of the Church without compensation. The financial statements do not reflect the value of those contributed services.

Income Taxes - The Church follows the Income Tax topic of the FASB ASC. The Church is not aware of any activities that would jeopardize its tax-exempt status and is not aware of any activities that are subject to tax. As of December 31, 2013, the Church has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and does not expect this to change in the next twelve months.

Compensated Absences - All employees of the Church are entitled to paid vacation depending upon length of service and other factors. The Church cannot reasonably estimate the amount of compensation for future absences; accordingly, no liability has been recorded in the accompanying financial statements. The Church's policy is to recognize the cost of compensated absences when paid to employees.

Subsequent Events - Subsequent events have been evaluated through February 5, 2014, which is the date the financial statements were available to be issued.

3 - Note Payable

In 2009, the Church obtained a loan from Savta Venture, LTD for \$4,975,000 to purchase land and a building located on Preston Road. This remains the current meeting place of the Church. The loan carries an interest rate of 6.50% and required payments of principal and interest to be paid monthly, amortized over a period of 25 years. The loan matures in August 2014, at which time the remaining balance is due. As of December 31, 2013, the balance on the loan was \$4,774,714, which is also the amount of future principal payments scheduled for the year ended December 31, 2014.

4 - Concentration of Credit Risk

The Church maintains its cash with a high credit quality financial institution. The balances, at times, may exceed federally insured amounts. It is the opinion of Church management that the solvency of the financial institution is sufficient to cover any exposure.