

**PROVIDENCE CHURCH**

Frisco, Texas

Financial Statements

Year Ended December 31, 2012

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Financial Statements  
Year Ended December 31, 2012

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ACCOUNTANTS' COMPILATION REPORT

To the Finance Team  
Providence Church  
Frisco, Texas

We have compiled the accompanying statement of financial position of Providence Church (a Texas not-for-profit corporation) as of December 31, 2012, and the related statements of activities and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

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 compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made in the financial statements.

*PSK LLP*

September 6, 2013

**PROVIDENCE CHURCH**  
Statement of Financial Position  
December 31, 2012

ASSETS

Current assets		
Cash		\$ 235,956
Property and equipment		
Land	2,831,000	
Building and improvements	2,781,041	
Furniture, fixtures and equipment	197,622	
Less: accumulated depreciation	<u>(370,907)</u>	
Total property and equipment, net		<u>5,438,756</u>
Total assets		<u>\$ 5,674,712</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses		\$ 12,471
Current portion of note payable		<u>89,558</u>
Total current liabilities		102,029
Non-current liabilities		
Non-current portion of note payable		<u>4,774,714</u>
Total liabilities		<u>4,876,743</u>
Net assets		
Unrestricted		<u>797,969</u>
Total liabilities and net assets		<u>\$ 5,674,712</u>

*See accountants' compilation report.*

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

**PROVIDENCE CHURCH**  
Statement of Activities  
Year Ended December 31, 2012

## Changes in unrestricted net assets:

Revenues	
Tithes and contributions	\$ 1,166,786
Program fees	17,348
Other income	13,056
Interest income	<u>353</u>
Total revenues	<u>1,197,543</u>
Expenses	
Program expenses	
Worship and communication	210,752
Adults	222,648
Children and youth	73,046
Care	34,826
Missions and benevolence	13,294
Hospitality	<u>8,478</u>
Total program expenses	<u>563,044</u>
Supporting services	
Administrative personnel	85,810
Depreciation	124,022
Facilities	104,594
Other	<u>51,612</u>
Total supporting services	<u>366,038</u>
Interest expense	<u>319,162</u>
Total expenses	<u>1,248,244</u>
Change in net assets	(50,701)
Net assets at beginning of the year	<u>848,670</u>
Net assets at end of the year	<u>\$ 797,969</u>

*See accountants' compilation report.*

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

**PROVIDENCE CHURCH**  
Statement of Cash Flows  
Year Ended December 31, 2012

Cash flows from operating activities	
Change in net assets	\$ (50,701)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	124,022
Decrease in receivables	3,495
Decrease in prepaid expenses	4,000
Increase in payables	<u>12,471</u>
Net cash provided by operating activities	<u>93,287</u>
Cash flows from investing activities	
Purchases of improvements and equipment	<u>(4,630)</u>
Cash flows from financing activities	
Principal payments on note payable	<u>(83,937)</u>
Net change in cash	4,720
Cash at beginning of the year	<u>231,236</u>
Cash at end of the year	<u>\$ 235,956</u>
Supplemental disclosure:	
Cash paid for interest	<u>\$ 319,162</u>

*See accountants' compilation 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 not-for-profit religious organization. The Church's objective 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, 2012.

Programs - The Church pursues its objective 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.

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

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

Hospitality - To provide greeters, ushers, connections’ people, and coffee for Sunday morning attendees.

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, 2012, 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, 2012 amounted to \$124,022.

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 on unrelated business income. As of December 31, 2012, 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 September 6, 2013, 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, 2012, the balance on the loan was \$4,864,272.

**PROVIDENCE CHURCH**  
Notes to Financial Statements

**3 - Note Payable (continued)**

Future principal payments are scheduled as follows:

For the year ending December 31,

2013	\$ 89,558
2014 (maturity)	<u>4,774,714</u>
	<u>\$ 4,864,272</u>

**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.

**5 - Operating Leases**

The Church has entered into a non-cancelable operating lease for office equipment. Total rent expense for the year ended December 31, 2012 was \$3,265. The lease term ended on December 28, 2012, and the Church did not renew the lease.