

**IRVING BIBLE CHURCH**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**DECEMBER 31, 2018 AND 2017**

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**Irving Bible Church**  
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**December 31, 2018 and 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Elders  
of Irving Bible Church

We have audited the accompanying financial statements of Irving Bible Church (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, and cash flows for the years 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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.

### **Basis for Qualified Opinion**

As explained in Note 1 to the financial statements, Irving Bible Church has decided to not adopt the functional allocation of expenses required by Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* as an update to the Financial Accounting Standards Board *Accounting Standards Codification* Topic 958. Consequently, the accompanying financial statements do not include a statement of functional allocation of expenses. Accounting principles generally accepted in the United States of America require not-for-profit organizations to present expenses by natural and functional categories. There is no effect on total expenses on the accompanying financial statements of Irving Bible Church.

### **Qualified Opinion**

In our opinion, except for the effects on the December 31, 2018 financial statements of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Irving Bible Church as of December 31, 2018 and 2017, and 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.



Salmon Sims Thomas & Associates  
A Professional Limited Liability Company

July 10, 2019

**Irving Bible Church**  
**Statements of Financial Position**  
**December 31, 2018 and 2017**

|   | <u>2018</u>                 | <u>2017</u>                 |
|---|-----------------------------|-----------------------------|
| <b>ASSETS</b>                               |                             |                             |
| <b>Current Assets</b>                       |                             |                             |
| Cash and cash equivalents                   | \$ 7,158,895                | \$ 6,142,906                |
| Investments                                 | -                           | 126,037                     |
| Prepaid expenses                            | 72,115                      | 99,339                      |
| Total Current Assets                        | <u>7,231,010</u>            | <u>6,368,282</u>            |
| <b>Noncurrent Assets</b>                    |                             |                             |
| Property and equipment, net                 | 11,833,180                  | 12,396,432                  |
| Land held for sale                          | -                           | 33,500                      |
| Cash surrender value of life insurance      | 286,969                     | 254,000                     |
| Total Noncurrent Assets                     | <u>12,120,149</u>           | <u>12,683,932</u>           |
| <br>  |                             |                             |
| TOTAL ASSETS                                | <u><u>\$ 19,351,159</u></u> | <u><u>\$ 19,052,214</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>           |                             |                             |
| <b>Current Liabilities</b>                  |                             |                             |
| Accounts payable                            | \$ 130,754                  | \$ 180,793                  |
| Payroll and related liabilities             | 103,698                     | 22,930                      |
| Total Current Liabilities                   | <u>234,452</u>              | <u>203,723</u>              |
| <br>  |                             |                             |
| <b>Life Insurance Benefit Obligation</b>    | <u>286,969</u>              | <u>254,000</u>              |
| <br>  |                             |                             |
| TOTAL LIABILITIES                           | <u>521,421</u>              | <u>457,723</u>              |
| <b>Net Assets</b>                           |                             |                             |
| <i>Without donor restrictions</i>           |                             |                             |
| Board designated                            | 2,762,142                   | 2,110,985                   |
| Undesignated                                | 14,041,745                  | 14,480,973                  |
| Total Net Assets Without Donor Restrictions | <u>16,803,887</u>           | <u>16,591,958</u>           |
| <br>  |                             |                             |
| <i>With donor restrictions</i>              |                             |                             |
| Total Net Assets With Donor Restrictions    | <u>2,025,851</u>            | <u>2,002,533</u>            |
|   | <u>18,829,738</u>           | <u>18,594,491</u>           |
| <br>  |                             |                             |
| TOTAL LIABILITIES AND NET ASSETS            | <u><u>\$ 19,351,159</u></u> | <u><u>\$ 19,052,214</u></u> |

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

**Irving Bible Church**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2018**

|                                      | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>         |
|--------------------------------------|---------------------------------------|------------------------------------|----------------------|
| <b>Revenues and Support</b>          |                                       |                                    |                      |
| Contributions                        | \$ 7,020,657                          | \$ 498,612                         | \$ 7,519,269         |
| Program revenues                     | 303,967                               | -                                  | 303,967              |
| Other revenues                       | 213,648                               | -                                  | 213,648              |
|                                      | <u>7,538,272</u>                      | <u>498,612</u>                     | <u>8,036,884</u>     |
| Net assets released from restriction | 475,294                               | (475,294)                          | -                    |
| Total Revenues and Support           | <u>8,013,566</u>                      | <u>23,318</u>                      | <u>8,036,884</u>     |
| <b>Expenses</b>                      |                                       |                                    |                      |
| <i>Program services</i>              |                                       |                                    |                      |
| Salaries and related expenses        | 2,658,258                             | -                                  | 2,658,258            |
| Missions                             | 458,062                               | -                                  | 458,062              |
| Adult ministries                     | 161,377                               | -                                  | 161,377              |
| Children's ministries                | 106,147                               | -                                  | 106,147              |
| Youth ministries                     | 179,857                               | -                                  | 179,857              |
| Worship and music                    | 112,400                               | -                                  | 112,400              |
| Church plants                        | 414,547                               | -                                  | 414,547              |
| Other ministries                     | 560,702                               | -                                  | 560,702              |
| Total Program Services               | <u>4,651,350</u>                      | <u>-</u>                           | <u>4,651,350</u>     |
| <i>Supporting services</i>           |                                       |                                    |                      |
| Salaries and related expenses        | 1,200,229                             | -                                  | 1,200,229            |
| Facility                             | 937,184                               | -                                  | 937,184              |
| Depreciation                         | 648,306                               | -                                  | 648,306              |
| Other administrative expenses        | 364,568                               | -                                  | 364,568              |
| Total Supporting Services            | <u>3,150,287</u>                      | <u>-</u>                           | <u>3,150,287</u>     |
| Total Expenses                       | <u>7,801,637</u>                      | <u>-</u>                           | <u>7,801,637</u>     |
| Change in Net Assets                 | 211,929                               | 23,318                             | 235,247              |
| Net Assets, beginning of year        | <u>16,591,958</u>                     | <u>2,002,533</u>                   | <u>18,594,491</u>    |
| Net Assets, end of year              | <u>\$ 16,803,887</u>                  | <u>\$ 2,025,851</u>                | <u>\$ 18,829,738</u> |

The accompanying notes are an integral part of this financial statement.

**Irving Bible Church**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2017**

|                                      | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|--------------------------------------|---------------------------------------|------------------------------------|----------------------|
| <b>Revenues and Support</b>          |                                       |                                    |                      |
| Contributions                        | \$ 8,003,935                          | \$ 539,617                         | \$ 8,543,552         |
| Program revenues                     | 350,788                               | -                                  | 350,788              |
| Other revenues                       | 116,214                               | -                                  | 116,214              |
|                                      | <u>8,470,937</u>                      | <u>539,617</u>                     | <u>9,010,554</u>     |
| Net assets released from restriction | 420,757                               | (420,757)                          | -                    |
| Total Revenues and Support           | <u>8,891,694</u>                      | <u>118,860</u>                     | <u>9,010,554</u>     |
| <b>Expenses</b>                      |                                       |                                    |                      |
| <i>Program services</i>              |                                       |                                    |                      |
| Salaries and related expenses        | 2,635,211                             | -                                  | 2,635,211            |
| Missions                             | 543,023                               | -                                  | 543,023              |
| Adult ministries                     | 241,667                               | -                                  | 241,667              |
| Children's ministries                | 139,140                               | -                                  | 139,140              |
| Youth ministries                     | 206,345                               | -                                  | 206,345              |
| Worship and music                    | 113,591                               | -                                  | 113,591              |
| Church plants                        | 301,911                               | -                                  | 301,911              |
| Other ministries                     | 649,592                               | -                                  | 649,592              |
| Total Program Services               | <u>4,830,480</u>                      | <u>-</u>                           | <u>4,830,480</u>     |
| <i>Supporting services</i>           |                                       |                                    |                      |
| Salaries and related expenses        | 1,291,750                             | -                                  | 1,291,750            |
| Facility                             | 1,027,156                             | -                                  | 1,027,156            |
| Depreciation                         | 648,875                               | -                                  | 648,875              |
| Other administrative expenses        | 373,834                               | -                                  | 373,834              |
| Total Supporting Services            | <u>3,341,615</u>                      | <u>-</u>                           | <u>3,341,615</u>     |
| Total Expenses                       | <u>8,172,095</u>                      | <u>-</u>                           | <u>8,172,095</u>     |
| Change in Net Assets                 | 719,599                               | 118,860                            | 838,459              |
| Net Assets, beginning of year        | <u>15,872,359</u>                     | <u>1,883,673</u>                   | <u>17,756,032</u>    |
| Net Assets, end of year              | <u>\$ 16,591,958</u>                  | <u>\$ 2,002,533</u>                | <u>\$ 18,594,491</u> |

The accompanying notes are an integral part of this financial statement

**Irving Bible Church**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2018 and 2017**

|  | <b>2018</b>  | <b>2017</b>  |
|--|--------------|--------------|
| <b>Cash Flows From Operating Activities</b>  |              |              |
| Increase in Net Assets   | \$ 235,247   | \$ 838,459   |
| Adjustments to reconcile increase in net assets<br>to net cash provided by operating activities: |              |              |
| Depreciation   | 648,306      | 648,875      |
| Loss on land held for sale   | 28,048       | -            |
| Gain on donated land   | -            | (33,500)     |
| Loss on disposal of equipment  | 1,483        | -            |
| Donated investments  | (69,940)     | (213,504)    |
| Gain on investments  | (14,318)     | (1,240)      |
| Reinvested dividends and interest  | -            | (2,678)      |
| Change in assets and liabilities:  |              |              |
| Prepaid expenses   | 27,225       | 26,837       |
| Accounts payable   | (50,040)     | 35,462       |
| Accrued expenses   | 80,768       | (467)        |
| Net Cash Provided by Operating Activities  | 886,779      | 1,298,244    |
| <br><b>Cash Flows From Investing Activities</b>  |              |              |
| Purchase of property and equipment   | (86,537)     | (144,839)    |
| Proceeds from land held for sale   | 5,452        | -            |
| Proceeds from sale of investments  | 217,195      | 224,801      |
| Purchase of investments  | (6,900)      | (3,187)      |
| Net Cash Provided by Investing Activities  | 129,210      | 76,775       |
| <br>Net Increase in Cash   | 1,015,989    | 1,375,019    |
| <br><b>Cash and cash equivalents, beginning of year</b>  | 6,142,906    | 4,767,887    |
| <br><b>Cash and cash equivalents, end of year</b>  | \$ 7,158,895 | \$ 6,142,906 |

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

**Irving Bible Church**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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**NOTE 1: NATURE OF OPERATIONS**

Irving Bible Church (Church) is a Texas nonprofit corporation located in Irving, Texas. The Church was formed to glorify Jesus Christ, by leading people to know and make Him known. The Church pursues this goal by caring for the family of Christ by providing a context of mutual edification in which Christians can participate in one another's lives to meet spiritual, emotional, material, and social needs.

The Church's support is derived primarily from members who are concentrated in the geographic area where the Church is located.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The summary of significant accounting policies of the Church is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Church's management, who is responsible for the fairness and objectivity embodied in the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Estimates**

Management uses estimates and assumptions in preparing 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 assumed in recording depreciation. It is at least reasonably possible that the significant estimates used will change within the next year. Actual results could vary from estimates.

**Financial Statement Presentation**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Church and/or the passage of time.

Net Assets without donor restrictions - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions of assets other than cash are recorded at their estimated fair value.

**Irving Bible Church**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recent Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The new standard requires lessees to recognize a right-of-use (ROU) asset and a related lease liability for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities and changes in net assets. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of financial position. The new standard is effective for private entities for annual periods beginning after December 15, 2019. The Church is currently assessing the impact the adoption will have on its net assets.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as an update to ASC 958, Not-for-Profit Entities. This update makes several improvements to current reporting requirements that address complexities in the use of the currently required three classes of net assets and enhance required disclosures related to donor restrictions of net assets. The updated guidance will result in a change in the classes of net assets reported on the face of the statement of financial position from three classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets without donor restrictions and net assets with donor restrictions).

The update also requires all not-for-profit entities to report expenses by function and by natural classification, either on the face of the financial statements or in the footnotes. Additional qualitative information about the methods used to allocate costs is also required to be disclosed. The update also requires all not-for-profit entities to disclose quantitative information that communicates the availability of the Church's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year as well as qualitative information on how the Church manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.

The updated guidance is effective for annual periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The new guidance should be applied on a retrospective basis. The Church adopted this update in fiscal year 2018, other than the departure noted below. No other material impact is expected.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash*, as an update to ASC 230, Statement of Cash Flows. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The updated guidance will be effective for annual periods beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Church will be adopting this update in fiscal year 2019. The new guidance will be applied on a retrospective basis. The updated guidance will result in a change in the statement of cash flows to include restricted cash and restricted cash equivalents. No other material impact is expected.

**Irving Bible Church**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recent Accounting Pronouncements (Continued)**

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The statement is effective for annual periods beginning after December 15, 2018. The Church is in the process of evaluating the potential impact of ASU 2014-09 on its financial statements and it has not yet determined the method by which the standard will be adopted in 2019.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as an update to ASC 958, Not-for-Profit Entities and to ASU 2014-09. The guidance provides a framework for evaluating whether grants should be accounted for as exchange transactions or as nonexchange transactions. For nonexchange transactions, the new guidance clarifies the contribution accounting model's guidance regarding whether arrangements are conditional or unconditional. The ASU applies to all entities that make or receive contributions but is primarily related to grants. The statement is effective for annual periods beginning after December 15, 2018.

**Departures from U.S. GAAP**

The Church has not implemented the functional allocation of expenses requirement of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* due to time and budget limitations. There is no effect on the total expenses presented in these financial statements due to this departure from U.S. GAAP.

**Cash and Cash Equivalents**

The Church considers all liquid investment instruments and short-term investments with original maturities of ninety days or less to be cash equivalents. Cash equivalents were \$- and \$614,746 as of December 31, 2018 and 2017, respectively. The Church places cash and cash equivalents, which, at times, may exceed federally insured limits with high credit quality institutions. The Church has not experienced any losses on such amounts.

**Irving Bible Church**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

The Church is a Texas nonprofit corporation that is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in Section 501(c)(3) of the IRC. The Church has been classified as an organization that is not a private foundation under IRC Section 509(a)(2), and as such, contributions to the Church qualify for deductions as charitable contributions. However, income generated from activities unrelated to the Church's exempt purpose is subject to tax under IRC Section 511.

**Property and Equipment**

Property and equipment are stated at cost, if purchased, or if donated at fair market value as of the date of donation, less accumulated depreciation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for 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 net assets with restrictions to net assets without restrictions at that time. Maintenance, repairs and replacements, which do not improve or extend the lives of the respective assets, are included in the statement of activities and changes in net assets when incurred. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation is removed, and any gain or loss is included in the statement of activities and changes in net assets.

Depreciation is calculated using the straight-line method at rates sufficient to amortize the related costs over the estimated useful lives of the respective assets as follows:

|                        |            |
|------------------------|------------|
| Furniture and fixtures | 5-7 years  |
| Equipment              | 3 years    |
| Building               | 40 years   |
| Building improvements  | 5-20 years |
| Parking lot            | 5 years    |

**Accounting for Uncertainty in Income Taxes**

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) Topic 740-10, *Accounting for Income Taxes*, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities and changes in net assets or accrued in the statement of financial position.

**Irving Bible Church**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments consist of a certificate of deposit and marketable equity securities held for sale. The marketable equity securities are recorded at their fair values. Securities that have been donated are recorded at the fair market value as of the date of the gift. Church policy is to convert equities to cash equivalents within thirty days of receipt. Increases or decreases in fair market value are recorded as unrealized gains and losses and reflected on the statement of activities and changes in net assets in the unrestricted class of net assets.

**Fair Value Measurements**

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at December 31, 2018.

*Marketable Securities:* Valued at the closing price reported in an active market in which the security is traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Church believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The provisions of Topic ASC 820 did not have an impact on the Church's nonfinancial assets and nonfinancial liabilities that are not permitted or required to be measured at fair value on a recurring basis.

**Date of Management's Review**

The Church has evaluated subsequent events through July 10, 2019 the date the financial statements were available to be issued.

**Irving Bible Church**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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**NOTE 3: INVESTMENTS**

As of December 31, 2018 and 2017, investments consisted of the following:

|                        | <b>2018</b> | <b>2017</b> |
|------------------------|-------------|-------------|
| Certificate of deposit | \$ -        | \$ 100,702  |
| Marketable securities  | -           | 25,335      |
|                        | \$ -        | \$ 126,037  |

The Church had a realized gain of \$14,318 for the year ended December 31, 2018. The Church had an unrealized gain of \$1,240 and reinvested dividends and interest of \$2,678 for the year ended December 31, 2017.

**NOTE 4: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following tables set forth by level, within the fair value hierarchy, the Church's assets at fair value as of December 31, 2018 and 2017:

|                       |              | <i>Assets at Fair Value as of December 31, 2018:</i> |                |                |  |
|-----------------------|--------------|--|----------------|----------------|--|
|                       | <b>Total</b> | <b>Level 1</b>                                       | <b>Level 2</b> | <b>Level 3</b> |  |
| Marketable securities | \$ -         | \$ -   | \$ -           | \$ -           |  |
|                       |              | <i>Assets at Fair Value as of December 31, 2017:</i> |                |                |  |
|                       | <b>Total</b> | <b>Level 1</b>                                       | <b>Level 2</b> | <b>Level 3</b> |  |
| Marketable securities | \$ 25,335    | \$ 25,335  | \$ -           | \$ -           |  |

**NOTE 5: PROPERTY AND EQUIPMENT**

At December 31, 2018 and 2017, property and equipment consisted of the following:

|                               | <b>2018</b>   | <b>2017</b>   |
|-------------------------------|---------------|---------------|
| Furniture and fixtures        | \$ 49,470     | \$ 317,302    |
| Equipment                     | 740,459       | 1,454,975     |
| Building and improvements     | 20,119,403    | 20,082,500    |
| Parking lot                   | 129,402       | 113,927       |
| Land                          | 1,011,900     | 1,011,900     |
| Total Property and Equipment  | 22,050,634    | 22,980,604    |
| Less accumulated depreciation | (10,217,454)  | (10,584,172)  |
| Net Property and Equipment    | \$ 11,833,180 | \$ 12,396,432 |

**Irving Bible Church**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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**NOTE 6: LEASE COMMITMENTS**

**Operating Lease**

The Church leases office equipment under noncancellable operating leases that began during 2014 and expire in 2019 and 2021. Lease expense under these operating leases was approximately \$30,000 and \$30,600 for 2018 and 2017, respectively.

Future minimum rental payments required under operating leases with initial or remaining noncancelable lease terms in excess of one year are approximately as follows for the years ending December 31,

|                     |           |
|---------------------|-----------|
| 2019                | \$ 28,700 |
| 2020                | 27,600    |
| 2021                | 20,700    |
| 2022 and thereafter | -         |

**NOTE 7: RETIREMENT PLANS**

The Church has a voluntary 403(b)(7) retirement plan for all full-time employees which is managed by a third-party entity. Employees can make contributions, subject to certain limitations, on a pretax basis. The Church matches employee contributions up to 5% of each participating employee's salary for the first 5 years, and then increases 1% per subsequent year. The participating employees become vested in the Church contributions based on years of service in 20% increments beginning in the first year, with 20% vested at 1 year and 100% at 5 years. In 2018 and 2017, the Church's contributions were \$123,096 and \$128,394, respectively.

The Church provides a nonqualified retirement plan through life insurance policies to a key employee. The Church is the owner and beneficiary of the policy and intends to distribute the value of the policy to the insured employee, upon retirement or severance from the Church, as deferred compensation. The cash surrender value of this policy is recorded as an asset with a corresponding obligation to the individual. The cash surrender value and corresponding obligation was valued at \$286,969 and \$254,000 as of December 31, 2018 and 2017, respectively.

The Church paid approximately \$29,600 and \$30,500 for nonqualified retirement plan contributions on behalf of the employee for the years ended December 31, 2018 and 2017, respectively.

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**NOTE 8: RELATED MINISTRIES**

The Church has a process whereby it starts, nurtures and ultimately “spins off” Christian ministries that become separate, independent 501(c)(3) nonprofit organizations. These ministries, once separated, do not share Board members or management. However, before they are spun off, the Church receives restricted contributions, from donors, for these specific ministries. In addition, the Church also covers certain costs during this time period.

In 2011, Water is Basic separated from the Church and filed for 501(c)(3) status. Water is Basic obtained 501(c)(3) status in 2012 and the Church does not expect to receive a significant amount of donations in the future. For the year ended December 31, 2018, the Church received donations of approximately \$19,000 and remitted approximately \$19,000 to this ministry. For the year ended December 31, 2017, the Church received donations of approximately \$20,200 and remitted approximately \$20,200 to this ministry. These funds are treated as amounts held for others and are not reflected in the statement of activities and changes in net assets. The Church did not hold any funds for Water is Basic as of December 31, 2018 and 2017.

**NOTE 9: NET ASSETS**

**Net Assets Without Donor Restrictions**

Included as a component of net assets without donor restrictions are amounts set aside, or designated, by the Church’s leadership. The net assets without donor restrictions consisted of the following as of December 31,:

|   | <u>2018</u>          | <u>2017</u>          |
|---|----------------------|----------------------|
| <i>Board Designated</i>                     |                      |                      |
| Tapestry                                    | \$ 86,449            | \$ 86,449            |
| Ministry projects                           | 100,000              | -                    |
| Next Up                                     | <u>2,575,693</u>     | <u>2,024,536</u>     |
| Total Board Designated                      | 2,762,142            | 2,110,985            |
| <i>Undesignated</i>                         | <u>14,041,745</u>    | <u>14,480,973</u>    |
| Total Net Assets Without Donor Restrictions | <u>\$ 16,803,887</u> | <u>\$ 16,591,958</u> |

**Net Assets With Donor Restrictions**

At December 31, 2018 and 2017, the purposes and corresponding balances remaining in net assets with donor restrictions were approximately as follows:

|                | <u>2018</u>         | <u>2017</u>         |
|----------------|---------------------|---------------------|
| Next Up        | \$ 1,532,800        | \$ 1,531,800        |
| Missions       | 18,400              | 48,500              |
| Benevolence    | 80,900              | 76,300              |
| Church plants  | 306,700             | 292,900             |
| Medical Clinic | 37,800              | 29,800              |
| Tapestry       | 4,800               | 4,700               |
| Other          | <u>44,500</u>       | <u>18,500</u>       |
|                | <u>\$ 2,025,900</u> | <u>\$ 2,002,500</u> |

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**NOTE 9: NET ASSETS (CONTINUED)**

**Net Assets With Donor Restrictions (Continued)**

Net assets with donor restrictions released from restrictions during 2018 and 2017 were approximately as follows:

|                         | <u>2018</u>       | <u>2017</u>       |
|-------------------------|-------------------|-------------------|
| <i>Missions</i>         |                   |                   |
| Activities and projects | \$ 55,300         | \$ 98,800         |
| Trips                   | 6,400             | 1,400             |
| <i>Ministry</i>         |                   |                   |
| Benevolence             | 37,100            | 105,000           |
| Other ministries        | 44,700            | 21,200            |
| Medical clinic          | 44,400            | 35,900            |
| Tapestry                | 400               | 10,000            |
| <i>Church Plants</i>    |                   |                   |
| The Grove Church        | 95,300            | 1,100             |
| The Well Church         | 157,200           | 124,700           |
| Iglesia RED             | 34,500            | 22,700            |
|                         | <u>\$ 475,300</u> | <u>\$ 420,800</u> |

**NOTE 10: LIQUIDITY**

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 policy is that monthly revenues are to cover monthly expenses. Monthly revenues and expenditures are deposited in and deducted from the operating accounts.

In addition, the Church is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Church must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

The following reflects the Church's financial assets, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

|   |                     |
|---|---------------------|
| Financial assets available at December 31, 2018   | \$ 7,158,895        |
| Less those unavailable for general expenditures within one year, due to:                  |                     |
| Donor-imposed restrictions:   |                     |
| Subject to appropriation and satisfaction of donor restrictions                           | (2,025,851)         |
| Board designated:   |                     |
| Amounts set aside for ministry and tapestry   | (186,449)           |
| Amounts set aside for next up building fund   | <u>(2,575,693)</u>  |
| Financial assets available to meet cash needs<br>for general expenditures within one year | <u>\$ 2,370,902</u> |