

Ecclesia Houston

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2020 and 2019

Ecclesia Houston

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position as of December 31, 2020 and 2019	2
Statement of Activities for the year ended December 31, 2020	3
Statement of Activities for the year ended December 31, 2019	4
Statement of Functional Expenses for the year ended December 31, 2020	5
Statement of Functional Expenses for the year ended December 31, 2019	6
Statements of Cash Flows for the years ended December 31, 2020 and 2019	7
Notes to Financial Statements for the years ended December 31, 2020 and 2019	8

Independent Auditors' Report

To the Board of Overseers of
Ecclesia Houston:

We have audited the accompanying financial statements of Ecclesia Houston, which comprise the statements of financial position as of December 31, 2020 and 2019 and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

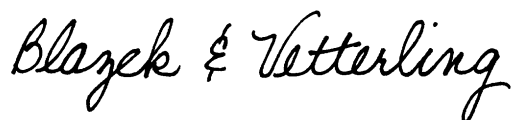
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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 our 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.

Opinion – In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ecclesia Houston as of December 31, 2020 and 2019 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.



April 20, 2021

Ecclesia Houston

Statements of Financial Position as of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 671,368	\$ 1,550,018
Prepaid expenses and other assets	818,404	510,449
Investments (Note 3)	8,222,882	8,075,562
Property and equipment, net (Note 4)	<u>21,556,205</u>	<u>20,091,162</u>
TOTAL ASSETS	<u>\$ 31,268,859</u>	<u>\$ 30,227,191</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 40,176	\$ 135,131
Grants payable	71,200	255,779
Construction related payables	212,350	
Deferred program fee revenue		<u>32,300</u>
Total liabilities	<u>323,726</u>	<u>423,210</u>
Net assets:		
Without donor restrictions	19,367,033	18,055,689
With donor restrictions (Note 5)	<u>11,578,100</u>	<u>11,748,292</u>
Total net assets	<u>30,945,133</u>	<u>29,803,981</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 31,268,859</u>	<u>\$ 30,227,191</u>

See accompanying notes to financial statements.

Ecclesia Houston

Statement of Activities for the year ended December 31, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions – other	\$ 5,108,264	\$ 472,061	\$ 5,580,325
Contributions – government grant		591,200	591,200
Special event		46,739	46,739
Direct donor benefits		(16,598)	(16,598)
Program fees	166,527		166,527
Paper Co. café sales	49,181		49,181
Cost of goods sold – Paper Co. café	(20,896)		(20,896)
Net investment return	132,814		132,814
Total revenue	5,435,890	1,093,402	6,529,292
Net assets released from restrictions:			
Expenditures for missions and outreach	672,394	(672,394)	
Expenditures for Payroll Protection Program loan	591,200	(591,200)	
Total	6,699,484	(170,192)	6,529,292
EXPENSES:			
Program expenses:			
Ministry and education	3,485,409		3,485,409
Missions and outreach	1,104,905		1,104,905
Total program expenses	4,590,314		4,590,314
Management and general	716,391		716,391
Paper Co. café	81,435		81,435
Total expenses	5,388,140		5,388,140
CHANGES IN NET ASSETS	1,311,344	(170,192)	1,141,152
Net assets, beginning of year	18,055,689	11,748,292	29,803,981
Net assets, end of year	\$ 19,367,033	\$ 11,578,100	\$ 30,945,133

See accompanying notes to financial statements.

Ecclesia Houston

Statement of Activities for the year ended December 31, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 4,655,994	\$ 682,437	\$ 5,338,431
Special event		71,740	71,740
Direct donor benefits		(10,424)	(10,424)
Program fees	593,683		593,683
Paper Co. café sales	263,716		263,716
Cost of goods sold – Paper Co. café	(163,597)		(163,597)
Net investment return	<u>272,818</u>		<u>272,818</u>
Total revenue	5,622,614	743,753	6,366,367
Net assets released from restrictions:			
Expenditure for missions and outreach	538,080	(538,080)	
Expenditure for hurricane disaster relief	<u>316,675</u>	<u>(316,675)</u>	
Total	<u>6,477,369</u>	<u>(111,002)</u>	<u>6,366,367</u>
EXPENSES:			
Program expenses:			
Ministry and education	3,893,709		3,893,709
Missions and outreach	<u>1,213,708</u>		<u>1,213,708</u>
Total program expenses	5,107,417		5,107,417
Management and general	859,206		859,206
Paper Co. café	<u>277,261</u>		<u>277,261</u>
Total expenses	<u>6,243,884</u>		<u>6,243,884</u>
CHANGES IN NET ASSETS	233,485	(111,002)	122,483
Net assets, beginning of year	<u>17,822,204</u>	<u>11,859,294</u>	<u>29,681,498</u>
Net assets, end of year	<u>\$ 18,055,689</u>	<u>\$ 11,748,292</u>	<u>\$ 29,803,981</u>

See accompanying notes to financial statements.

Ecclesia Houston

Statement of Functional Expenses for the year ended December 31, 2020

	<u>MINISTRY AND EDUCATION</u>	<u>MISSIONS AND OUTREACH</u>	<u>MANAGEMENT AND GENERAL</u>	<u>PAPER CO. CAFÉ</u>	<u>TOTAL EXPENSES</u>
Payroll and related benefits	\$ 2,597,773		\$ 494,395	\$ 65,077	\$ 3,157,245
Grants to other non-profits		\$ 750,268			750,268
Professional services	174,539		25,726		200,265
Occupancy	138,558		13,456	1,579	153,593
Outreach/direct disaster assistance		150,872			150,872
Program equipment and supplies	91,497	48,839		3,242	143,578
Depreciation	117,481		13,053	4,810	135,344
Benevolence direct assistance		132,232			132,232
Insurance	103,382		14,478		117,860
Retreat/mission travel	87,771	22,694			110,465
Repairs and maintenance	86,368		18,426		104,794
Software, subscriptions, and other technology	52,709		40,589		93,298
Bank fees			41,345	2,407	43,752
Staff training and development	10,438		16,746	282	27,466
Meals and entertainment	11,303		4,502		15,805
Property taxes			15,255		15,255
Other	<u>13,590</u>		<u>18,420</u>	<u>4,038</u>	<u>36,048</u>
Total expenses	<u>\$ 3,485,409</u>	<u>\$ 1,104,905</u>	<u>\$ 716,391</u>	<u>\$ 81,435</u>	5,388,140
Direct donor benefit cost of special event					16,598
Cost of goods sold – Paper Co. café					<u>20,896</u>
Total					<u>\$ 5,425,634</u>

See accompanying notes to financial statements.

Ecclesia Houston

Statement of Functional Expenses for the year ended December 31, 2019

	MINISTRY AND EDUCATION	MISSIONS AND OUTREACH	MANAGEMENT AND GENERAL	PAPER CO. CAFÉ	TOTAL EXPENSES
Payroll and related benefits	\$ 2,512,568		\$ 493,690	\$ 214,158	\$ 3,220,416
Grants to other non-profits		\$ 787,373			787,373
Professional services	322,429		40,393	19	362,841
Occupancy	164,681		16,491	4,863	186,035
Outreach/direct disaster assistance		25,299			25,299
Program equipment and supplies	108,118	44,289	773	8,826	162,006
Depreciation	132,935		14,771	7,717	155,423
Benevolence direct assistance		177,137			177,137
Insurance	90,155		13,482		103,637
Retreat/mission travel	372,159	69,155			441,314
Repairs and maintenance	89,627		20,037		109,664
Software, subscriptions, and other technology	32,194		64,045		96,239
Bank fees			57,993	8,465	66,458
Staff training and development	9,453		17,246	2,331	29,030
Travel	23,626		26,681		50,307
Meals and entertainment	11,351		11,105		22,456
Property taxes			29,656		29,656
Furniture and equipment	12,790		21,891	20,128	54,809
Office supplies	886		11,691	5,286	17,863
Marketing and advertisement			9,014	1,600	10,614
Other	<u>10,737</u>	<u>110,455</u>	<u>10,247</u>	<u>3,868</u>	<u>135,307</u>
Total expenses	<u>\$ 3,893,709</u>	<u>\$ 1,213,708</u>	<u>\$ 859,206</u>	<u>\$ 277,261</u>	6,243,884
Direct donor benefit cost of special event					10,424
Cost of goods sold – Paper Co. café					<u>163,597</u>
Total					<u>\$ 6,417,905</u>

See accompanying notes to financial statements.

Ecclesia Houston

Statements of Cash Flows for the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,141,152	\$ 122,483
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	135,344	155,422
Gain on sale of assets	(2,117)	
Net realized and unrealized gain on investments	(88,087)	(92,374)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(375,900)	464,356
Accounts receivable	67,945	
Accounts payable and accrued expenses	(94,955)	(211,909)
Grants payable	(184,579)	(395,443)
Deferred program fee revenue	<u>(32,300)</u>	<u>(232,525)</u>
Net cash provided (used) by operating activities	<u>566,503</u>	<u>(189,990)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(227,030)	(82,128)
Proceeds from sales of investments	209,648	66,400
Net change in cash and money market mutual funds held as investments	(41,851)	915,604
Purchases of property and equipment	(1,404,520)	(264,926)
Proceeds from sale of property and equipment	<u>18,600</u>	<u> </u>
Net cash provided (used) by investing activities	<u>(1,445,153)</u>	<u>634,950</u>
NET CHANGE IN CASH	(878,650)	444,960
Cash, beginning of year	<u>1,550,018</u>	<u>1,105,058</u>
Cash, end of year	<u>\$ 671,368</u>	<u>\$ 1,550,018</u>

See accompanying notes to financial statements.

Ecclesia Houston

Notes to Financial Statements for the years ended December 31, 2020 and 2019

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Ecclesia Houston (Ecclesia) is a nonprofit organization located in Houston, Texas incorporated under the laws of the State of Texas. Ecclesia is a holistic, missional, Christian community that seeks to spread the Gospel of Jesus Christ, teaching the Bible and sharing the Christian faith with as many people as possible. Ecclesia is primarily supported by contributions provided through their Christian community in two locations. Ecclesia has created a café and coffee shop at the Elder Street location to provide a place of community for the congregation and others in Houston.

Federal income tax status – Ecclesia is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a religious organization under §509(a)(1) and §170(b)(1)(A)(i).

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses. Cash which is held for long-term investment is grouped with investments and excluded from cash in the statement of cash flows.

Property and equipment is reported at cost. Contributions of property are reported at estimated fair value at the date of gift. Expenditures or contributions in excess of \$5,000 are capitalized as property. Depreciation is reported on a straight-line basis over estimated useful lives of 5 to 37 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Absent explicit donor restrictions regarding use, contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Mission grants approved are recognized as expense when Ecclesia approves an unconditional commitment to a grant recipient. Commitments made but not yet funded are reported as mission grants payable. All grants are to be paid within one year. During 2020 and 2019, Ecclesia provided grants to Living Water International totaling approximately \$450,000 and \$252,000, respectively.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are subject to one or more barriers that must be overcome before Ecclesia is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been substantially met. Funding received before conditions are met are reported as a refundable advance.

Contributed materials, use of facilities, and services – Donated materials and use of facilities are recognized at fair value as contributions without donor restrictions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of volunteers have contributed their time to Ecclesia for which no amount has been recognized in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Special event revenue is the total amount paid by attendees of an event and includes elements of both contributions and exchange transactions. Special event revenue is recognized when the event occurs. Direct donor benefit costs represent the cost of goods and services provided to attendees of the events.

Program fees and café sales are recognized as the services or goods are provided as follows:

- *Holyland Trip* – Registration fees are paid by trip participants. Ecclesia recognizes the revenue from these trips as performance obligations are satisfied at a point in time, when the trip takes place. Included in the price of the trip are overnight accommodations, meals, tour bus fees, tour guides, airport transfer fees, and entrance fees. Fees paid in advance are reported as deferred program fee revenue. There were no fees paid in advance in 2020. Total fees paid in advance in which the performance obligations were not satisfied prior to December 31, 2019 and 2018, totaled \$32,300 and \$264,825, respectively.
- *Mother's Day Out* – This child care program is offered to families within the Houston area. The program is for children of all ages and is offered two days a week at the West Side campus. The program seeks to engage children in developmentally appropriate experiences with God's Word through storytelling. Registration for this program is typically on a 2 to 4 month basis, depending on the time of year. Ecclesia recognizes revenue ratably over 2 to 4 month time periods as performance obligations are met. There are explicit price concessions based on the number of children that a family enrolls. The program fees are billed monthly and are net of any discounts.
- *Café Sales* – Café sales are recognized when the goods are provided.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Paper Co. café activities are the direct conduct or supervision of activities for the Paper Co. café. Management and general activities are not directly identifiable with specific program or café activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation and other occupancy costs are allocated based on square footage. Information technology costs are allocated based on estimates of time and costs of specific technology utilized.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 671,368	\$ 1,550,018
Receivables	1,420	68,465
Investments	<u>8,222,882</u>	<u>8,075,562</u>
Total financial assets available for general expenditure	<u>\$ 8,895,670</u>	<u>\$ 9,694,045</u>

Financial assets available for general expenditures include cash, equity securities, and accounts receivable. Ecclesia expects to fund general expenditures in excess of financial assets available to meet cash needs with future contributions, program fees, and Paper Co. café sales.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Ecclesia considers all expenditures related to its ongoing activities of providing ministry, mission and outreach programs, the operations of the Paper Co. café, as well as the conduct of services undertaken to support those activities, to be general expenditures.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2020 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Mutual funds:				
Money market	\$ 7,701,951			\$ 7,701,951
Equity	53,555			53,555
Bond	37,177			37,177
Common stock	289,926			289,926
Exchange-traded funds	<u>76,890</u>			<u>76,890</u>
Total assets measured at fair value	<u>\$ 8,159,499</u>	<u>\$ 0</u>	<u>\$ 0</u>	8,159,499
Cash held as investments				<u>63,383</u>
Total investments				<u>\$ 8,222,882</u>

Assets measured at fair value at December 31, 2019 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Mutual funds:				
Money market	\$ 7,662,788			\$ 7,662,788
Equity	64,030			64,030
Bond	32,478			32,478
Common stock	202,122			202,122
Exchange-traded funds	<u>53,449</u>			<u>53,449</u>
Total assets measured at fair value	<u>\$ 8,014,867</u>	<u>\$ 0</u>	<u>\$ 0</u>	8,014,867
Cash held as investments				<u>60,695</u>
Total investments				<u>\$ 8,075,562</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value.
- *Common stock* and *exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Ecclesia believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 16,036,251	\$ 16,036,251
Buildings and improvements	2,943,090	2,937,665
Furniture, fixtures, and equipment	535,019	558,019
Construction in progress	<u>3,049,300</u>	<u>1,437,854</u>
Total property and equipment, at cost	22,563,660	20,969,789
Accumulated depreciation	<u>(1,007,455)</u>	<u>(878,627)</u>
Property and equipment, net	<u>\$ 21,556,205</u>	<u>\$ 20,091,162</u>

In January 2016, Ecclesia entered into an agreement with a local area church to transfer all of the assets of the church to Ecclesia, which was appraised for approximately \$11,500,000. The agreement further provides that the property be used solely as a church operating as a member congregation of the Union

Baptist Association for a period of 10 years from the date of the agreement. If Ecclesia does not utilize the property as a church, Union Baptist Association has the right to contest the title and revert the property. Ecclesia began operating a church at this location effective January 1, 2016.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Venezuela Missions	\$ 49,824	\$ 149,544
Gulf Coast Response	19,344	
Hurricane Dorian Relief	8,932	20,084
Advent Conspiracy Outreach Grants		67,868
Emergency Fund		<u>10,796</u>
Total subject to expenditure for specified purpose	78,100	248,292
Not subject to appropriation or expenditure:		
Land to be used for a church for ten years (<i>Note 4</i>)	<u>11,500,000</u>	<u>11,500,000</u>
Total net assets with donor restrictions	<u>\$ 11,578,100</u>	<u>\$ 11,748,292</u>

NOTE 6 – RETIREMENT PLAN

Ecclesia maintains a §403(b) retirement savings plan to which all employees may contribute subject to Internal Revenue Service regulations. Ecclesia’s contributions were approximately \$168,000 and \$171,000 in 2020 and 2019, respectively.

NOTE 7 – SUBSEQUENT EVENTS

In February 2021, Ecclesia was approved for a second Paycheck Protection Program loan of \$591,200. Management expects the loan to be forgiven as the funds are used for payment of eligible costs. Any amounts not forgiven bear interest at 1% and are due within 5 years.

Management has evaluated subsequent events through April 20, 2021, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.