

AUSTIN STONE COMMUNITY CHURCH
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
JULY 31, 2019 AND 2018

AUSTIN STONE COMMUNITY CHURCH

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INDEPENDENT AUDITORS' REPORT

Austin Stone Community Church
313 E. Anderson Lane, Bld 3, Ste 100
Austin, Texas 78752

Report on the Financial Statements

We have audited the accompanying financial statements of Austin Stone Community Church (the Church) which comprise the statements of financial position as of July 31, 2019 and 2018, and the related statements of activities, functional expenses, 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 auditors consider 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 Austin Stone Community Church as of July 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Atchley & Associates, LLP

Austin, Texas

November 25, 2019

AUSTIN STONE COMMUNITY CHURCH
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2019 AND 2018

<u>ASSETS</u>		
	2019	2018
Current assets		
Cash and cash equivalents	\$ 6,069,011	\$ 3,884,771
Accounts receivable	423,973	201,022
Employee loans receivable	248,904	-
Prepaid expenses and other assets	128,590	86,525
Total current assets	6,870,478	4,172,318
Other assets	240,176	-
Property and equipment, net	33,187,307	32,377,419
Total assets	\$ 40,297,961	\$ 36,549,737
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 751,171	\$ 1,241,692
Capital leases, current portion	18,827	13,920
Notes payable, current portion	816,697	522,100
Total current liabilities	1,586,695	1,777,712
Long-term liabilities		
Capital leases, net of current portion	40,698	3,561
Notes payable, net of current portion	23,223,298	20,719,653
Noncurrent accrued liabilities	405,000	225,000
Total long-term liabilities	23,668,996	20,948,214
Total liabilities	25,255,691	22,725,926
Net assets		
Without donor restrictions	14,060,206	13,114,654
With donor restrictions	982,064	709,157
Total net assets	15,042,270	13,823,811
Total liabilities and net assets	\$ 40,297,961	\$ 36,549,737

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

AUSTIN STONE COMMUNITY CHURCH
STATEMENTS OF ACTIVITIES
YEARS ENDED JULY 31, 2019 AND 2018

Net assets without restrictions:	2019	2018
Revenues		
Tithes and offerings	\$ 17,342,906	\$ 16,307,816
Counseling center	1,022,707	827,012
Facility rental	780,621	507,127
Program revenue	516,225	466,806
Other revenue	341,888	480,502
Interest income	18,712	5,557
Total revenues	20,023,059	18,594,820
Net assets released from restrictions:		
Restrictions satisfied by payments	1,728,505	3,512,887
Total revenues without restrictions and reclassifications	21,751,564	22,107,707
Expenses		
Program services		
Congregational programs	5,568,079	4,235,395
Family ministry	1,378,833	1,568,672
Counseling center	1,161,975	870,796
Soul care	98,412	227,782
Local mission	1,291,439	1,200,793
National mission	286,618	380,085
Global mission	2,688,135	1,790,742
Equipping and resources	655,667	1,793,441
Worship and gathering	3,109,896	2,613,382
Staff and leader development	530,442	996,376
Total program expenses	16,769,496	15,677,464
General and administrative	4,036,516	3,846,766
Total expenses	20,806,012	19,524,230
Increase (decrease) in net assets without restrictions	945,552	2,583,477
Net assets with restrictions		
Contributions	2,001,412	2,013,011
Net assets released from restrictions	(1,728,505)	(3,512,887)
Increase (decrease) in net assets with restrictions	272,907	(1,499,876)
Change in net assets	1,218,459	1,083,601
Net assets at beginning of year	13,823,811	12,740,210
Net assets at end of year	\$ 15,042,270	\$ 13,823,811

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

AUSTIN STONE COMMUNITY CHURCH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Totals</u>
Expenses			
Administrative expense	\$ 131,065	\$ 554,453	\$ 685,518
Benefits	1,090,984	174,790	1,265,774
Compensation	5,753,782	1,157,895	6,911,677
Contract labor	1,461,084	8,930	1,470,014
Depreciation & amortization	886,847	392,860	1,279,707
Facility expense	1,251,771	1,053,316	2,305,087
Individual support*	1,235,132	-	1,235,132
Insurance	-	118,859	118,859
Interest expense	759,645	236,295	995,940
Ministry expense	3,129,742	260,711	3,390,453
Organizational support	621,696	-	621,696
Payroll taxes	199,827	68,424	268,251
Security	247,921	9,983	257,904
Total expenses	<u>\$ 16,769,496</u>	<u>\$ 4,036,516</u>	<u>\$ 20,806,012</u>

*Individual Support primarily represents the funds to support our goers, but also includes support for local mercy ministry and national church planters.

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

AUSTIN STONE COMMUNITY CHURCH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2018

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Totals</u>
Expenses			
Administrative expense	\$ 45,162	\$ 376,403	\$ 421,565
Benefits	1,198,952	275,225	1,474,177
Compensation	5,807,862	1,132,363	6,940,225
Contract labor	1,220,232	13,709	1,233,941
Depreciation & amortization	692,451	258,110	950,561
Facility expense	1,248,802	1,160,097	2,408,899
Individual support*	994,162	-	994,162
Insurance	-	130,923	130,923
Interest expense	362,322	-	362,322
Ministry expense	3,287,886	429,031	3,716,917
Organizational support	377,912	-	377,912
Payroll taxes	199,359	63,575	262,934
Security	242,362	7,330	249,692
Total expenses	<u>\$ 15,677,464</u>	<u>\$ 3,846,766</u>	<u>\$ 19,524,230</u>

*Individual Support primarily represents the funds to support our goers, but also includes support for local mercy ministry and national church planters.

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

AUSTIN STONE COMMUNITY CHURCH
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2019 AND 2018

	2019	2018
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 1,218,459	\$ 1,083,601
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,238,416	950,565
(Increase) decrease in accounts receivable	(222,951)	(34,367)
(Increase) decrease in employee loans receivable	(248,904)	-
(Increase) decrease in prepaid expenses and other assets	(42,065)	39,891
(Increase) decrease in noncurrent other assets	(240,176)	-
Increase (decrease) in accounts payable	(490,521)	583,869
Increase (decrease) in noncurrent accrued liabilities	180,000	180,000
Net cash provided by operating activities	1,392,258	2,803,559
<u>Cash flows from investing activities</u>		
Purchase of property and equipment	(1,983,796)	(4,076,068)
Net cash used in investing activities	(1,983,796)	(4,076,068)
<u>Cash flows from financing activities</u>		
Payments on capital lease obligations	(22,464)	(25,901)
Proceeds from long-term debt	3,352,820	1,586,003
Payments on long-term debt	(554,578)	(178,262)
Net cash provided by financing activities	2,775,778	1,381,840
Increase in cash and cash equivalents	2,184,240	109,331
Cash and cash equivalents - beginning of year	3,884,771	3,775,440
Cash and cash equivalents - end of year	\$ 6,069,011	\$ 3,884,771
<u>Supplemental Disclosure</u>		
Interest paid	\$ 1,055,869	\$ 1,090,865
Non-cash acquisition of property and equipment	\$ 64,508	\$ -

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

AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Austin Stone Community Church (the Church) is a non-profit corporation established in October 2002. The Church is supported primarily through contributions from the congregation.

Basis of Presentation

The financial statements of the Church have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Church to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Church's management and the board of elders.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Church or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Employee Receivables

The Church has a self-funded, ACA compliant, health plan. In accordance with this plan, the Church provides employees with short-term loans for medical-related services while the employees wait for reimbursement from a third party.

Property and Equipment

Acquisition of property and equipment in excess of \$5,000 is capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation and are depreciated using the straight-line method. Estimated useful lives are thirty years for buildings and five to seven years for furniture and equipment.

AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Property and Equipment - Continued

Repair and maintenance items are charged to expense as incurred. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Contributed Services

The Church receives a substantial amount of services donated by its members in carrying out the Church's ministry. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under US GAAP.

Income Taxes

The Church is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Church has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Church has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program and general and administration. Such allocations are determined by management on an equitable basis. Compensation, payroll taxes, and benefits are allocated by time and effort. Interest expense and facility expenses are allocated by square footage. The remaining expenses presented are directly related to either program or general and administration.

Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and available resources, and the lack of consistency in the type of information provided about expenses and investment return. The Church has adjusted the presentation of these statements accordingly.

Subsequent Events

Management of the Church has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued (see Note E).

NOTE B - CONCENTRATION OF RISK

The total cash held by the Church at July 31, 2019, includes \$5,670,280 in monies exceeding insurance provided by the Federal Deposit Insurance Corporation. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE C - AVAILABLE RESOURCES AND LIQUIDITY

The following represents the Church's financial assets at July 31:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 6,069,011	\$ 3,884,771
Accounts receivable	<u>423,973</u>	<u>201,022</u>
Total financial assets at year-end	6,492,984	4,085,793
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>982,064</u>	<u>709,157</u>
Financial assets available to meet cash needs for general expenditures over the next twelve months	<u><u>\$ 5,510,920</u></u>	<u><u>\$ 3,376,636</u></u>

The Church regularly monitors its financial liquidity to meet its operating needs and other commitments. Cash and cash equivalents and contributions to the Church are its primary sources of liquidity. In addition to financial assets available to meet general expenditures over the next twelve months, the Church operates with a balanced budget and anticipates only incurring expenses if adequate funds are available to pay for them. The Church aims to maintain an operating cash balance of \$1,250,000.

NOTE D - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, at cost less accumulated depreciation, as of July 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 8,706,534	\$ 8,706,534
Building	26,739,357	14,297,052
Equipment	2,507,355	2,507,355
Furniture & fixtures	2,318,481	2,095,715
Construction in progress	<u>-</u>	<u>10,616,763</u>
	40,271,727	38,223,419
Less: accumulated depreciation	<u>(7,084,420)</u>	<u>(5,846,000)</u>
Total property and equipment	<u><u>\$33,187,307</u></u>	<u><u>\$32,377,419</u></u>

Depreciation of property and equipment amounted to \$1,238,416 and \$950,565, for the years ended July 31, 2019 and 2018, respectively.

AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE E - LONG-TERM DEBT

Long-term debt includes the following as of July 31:

	2019	2018
<p>Note payable to Frost Bank with initial balance of \$4,540,000 and an interest rate of 2.25% above the LIBOR rate, adjusted monthly (4.52% at July 31, 2019); secured by a deed of trust on the Church's property; principal and interest payments due monthly. The note matures on July 21, 2024.</p>	\$ 3,972,773	\$ 4,095,929
<p>Note payable to Frost Bank with initial balance of \$2,300,000 and an interest rate of 2.25% above the LIBOR rate, adjusted monthly (4.52% at July 31, 2019); secured by a deed of trust on the Church's property; interest and principal payments due monthly. The note matures on July 21, 2024.</p>	2,012,486	2,075,031
<p>Note payable to Frost Bank with an initial balance of \$2,500,000 and an interest rate of 2.25% above the LIBOR rate, adjusted monthly (4.54% at July 31, 2019); secured by the Church's assets; interest and principal payments due monthly. The note matures on September 1, 2025.</p>	2,260,359	2,500,000
<p>Note payable to Frost Bank with an initial balance of \$9,645,630 and an interest rate of 2.25% above the LIBOR rate, adjusted monthly (4.53% at July 31, 2019); secured by the Church's assets; interest due quarterly and quarterly principal payments of \$96,456 from July 24, 2019 to maturity. The note matures on April 24, 2024.</p>	9,549,174	9,570,793
<p>Real Estate Lien Note from J. Campbell Murrell Family Fund with initial balance of \$2,500,000 and an interest rate of 12%; secured by a deed of trust on the Church's property; one-half of accrued interest payments due monthly with all unpaid interest and principal due upon maturity. The note matures on May 24, 2024.</p>	2,500,000	2,500,000
<p>Real Estate Lien Note from Sayre Family Fund with initial balance of \$500,000 and an interest rate of 12%; secured by a deed of trust on the Church's property; one-half of accrued interest payments due monthly. The note matures on May 24, 2024.</p>	500,000	500,000

AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE E - LONG-TERM DEBT (Continued)

	2019	2018
Note payable to Frost Bank with initial balance of \$3,518,814 and an interest rate of 2.15% above the LIBOR rate, adjusted monthly (4.54% at July 31, 2019); secured by a deed of trust on the Church's property; interest and principal payments due monthly. The note matures on April 1, 2025.	3,245,203	-
	\$24,039,995	\$21,241,753

Interest expense amounted to \$995,940 and \$362,322 for the years ended July 31, 2019 and 2018, respectively. Interest capitalized to construction in progress amounted to \$238,407 and \$741,043 for the years ended July 31, 2019 and 2018, respectively.

Effective August 21, 2014, the Church entered into two interest rate swap agreements in connection with the \$4,540,000 and \$2,300,000 notes payable with Frost Bank. Under the agreements, the Church received variable rate interest payments, based on the 1 month LIBOR plus 2.25%, and made fixed interest rate payments, at 4.13%. Effective July 21, 2019, the Church amended these two interest rate swap agreements, and under the agreements, the Church received variable rate interest payments, based on the 1 month LIBOR plus 2.25%, and made fixed interest rate payments, at 4.15%. These agreements terminate on July 21, 2024.

Effective April 24, 2017, the Church entered into an interest rate swap agreement in connection with the \$9,645,630 note payable with Frost Bank. Under the agreement, the Church receives variable rate interest payments, based on the 3 month LIBOR plus 2.25%, and makes fixed interest rate payments, at 4.63% until the agreement terminates on April 24, 2024. Effective October 24, 2019, the agreement was amended in order for the fixed interest payments to be at 4.55%.

Effective November 1, 2019, the Church entered into an interest rate swap agreement in connection with the \$2,500,000 note payable with Frost Bank. Under the agreement, the Church receives variable rate interest payments, based on the LIBOR plus 2.15%, and makes fixed interest rate payments at 3.90% until the agreement terminates September 1, 2025.

Effective November 1, 2019, the Church entered into an interest rate swap agreement in connection with the \$3,518,814 note payable with Frost Bank. Under the agreement, the Church receives variable rate interest payments, based on the LIBOR plus 2.15%, and makes fixed interest rate payments at 3.90% until the agreement terminates April 1, 2025.

AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE E - LONG-TERM DEBT (Continued)

Expected maturities of long-term debt by year are as follows:

<u>Year ending July 31,</u>	
2020	\$ 816,697
2021	825,789
2022	834,582
2023	843,756
2024	16,401,043
Thereafter	<u>4,318,128</u>
	<u><u>\$24,039,995</u></u>

The Church believes that it was in compliance with the covenants of the loan agreements at the end of year.

NOTE F - NET ASSETS

Net assets with donor restrictions were as follows as of July 31, 2019 and 2018:

	2019	2018
Specific purpose		
Missions fund	\$ -	\$ 610,071
For The Nations Fund	518,745	-
Mercy Fund	463,319	-
Austin Stone Institute	<u>-</u>	<u>99,086</u>
	<u><u>\$ 982,064</u></u>	<u><u>\$ 709,157</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	2019	2018
Mission fund activities	\$ -	\$ 1,494,040
For The Nations Fund	1,163,843	-
Mercy Fund	198,185	-
Building fund activities	255,600	1,136,532
Austin Stone Institute activities	<u>110,877</u>	<u>882,315</u>
	<u><u>\$ 1,728,505</u></u>	<u><u>\$ 3,512,887</u></u>

AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE G - COMMITMENTS

Leases

During 2013, the Church entered into a 5-year capital lease agreement with an independent third party, expiring in December 2017. Monthly payments under the lease were \$3,105, with an implicit interest rate of 4.5%. Total payments under the agreement were \$0 and \$12,419 during the years ended July 31, 2019 and 2018, respectively.

During 2015, the Church entered into a 5-year capital lease agreement with an independent third party, expiring in October 2019. Monthly payments under the lease are \$1,194, with an implicit interest rate of 3.68%. Total payments under the agreement were \$14,330 during the years ended July 31, 2019 and 2018. Assets under the capital lease agreement consist of equipment with an original cost of \$65,352 and accumulated depreciation of \$51,363 as of July 31, 2019.

During 2018, the Church entered into a 4-year capital lease agreement with an independent third party, expiring in December 2023. Monthly payments under the lease are \$1,487, with an implicit interest rate of 5.25%. Total payments under the agreement were \$10,407 and \$0 during the years ended July 31, 2019 and 2018, respectively. Assets under the capital lease agreement consist of equipment with an original cost of \$64,508 and accumulated depreciation of \$51,022 as of July 31, 2019.

The Church also leases office space and audio/video and copier equipment under noncancelable operating leases with terms expiring through September 2020.

The total remaining lease payments under the capital leases and the noncancelable operating leases with lease terms in excess of one year are as follows for the next four years:

<u>Year Ending July 31:</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2020	\$ 21,423	\$ 1,012,601
2021	17,841	128,418
2022	17,841	-
2023	7,761	-
	<u>(5,341)</u>	<u>-</u>
Less: Imputed Interest	<u>\$ 59,525</u>	<u>\$ 1,141,019</u>

In addition to the long-term leases above, the Church leases facilities on a month-to-month basis for holding weekly services. Total lease expense, from all leases, for the years ended July 31, 2019 and 2018, were \$1,264,577 and \$1,466,005, respectively.

AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE G - COMMITMENTS (Continued)

The Church leases excess space to local non-profits whose missions align with the mission of the Church, with terms expiring through April 2024. Rental rates are typically below market as the Church utilizes these relationships to further its programs and overall mission. Revenue is recognized based on the rental agreements, which have varying rates of modest escalation.

The total remaining lease receipts under noncancelable leases with lease terms in excess of one year for the next five years are as follows:

<u>Year ending July 31,</u>	
2020	\$ 267,997
2021	129,885
2022	45,564
2023	13,667
2024	7,830
	<hr style="border-top: 1px solid black;"/>
	<u>\$ 464,943</u>

NOTE H - PERSONNEL EXPENSES

The Church paid salaries and related payroll benefits and taxes in the years ended July 31, 2019 and 2018, in the amount of \$8,244,553 and \$8,292,994, respectively. The Church also offers full-time staff employees the opportunity to participate in a 403(b) retirement plan. The employees have the option to contribute a portion of their salary to the plan, subject to annual deferral limits. In addition, the Church made employer contributions of \$185,473 and \$315,220 to the plan for the years ended July 31, 2019 and 2018, respectively.

NOTE I - RELATED PARTIES

The Church provides administrative and accounting services for two related parties, For the City Network and its wholly owned subsidiary, Unison Development, LLC. The Church, in turn, also contracts with these related parties for services including repairs and maintenance of worship facilities. For the years ended July 31, 2019 and 2018, the Church billed these related parties approximately \$150,000 and \$360,852, respectively, for these services.

As of July 31, 2019 and 2018, the Church had a net receivable of \$0 and \$15,869, respectively, from For the City Network. As of July 31, 2019 and 2018, the Church had a net receivable of \$0 and \$1,857, respectively, from Unison Development, LLC.