

THE AUSTIN STONE COMMUNITY CHURCH

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

JULY 31, 2020 AND 2019

THE AUSTIN STONE COMMUNITY CHURCH

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INDEPENDENT AUDITORS' REPORT

The 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 The Austin Stone Community Church (the Church) which comprise the statements of financial position as of July 31, 2020 and 2019, 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 the Church as of July 31, 2020 and 2019, 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 10, 2020

THE AUSTIN STONE COMMUNITY CHURCH
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2020 AND 2019

<u>ASSETS</u>		
	2020	2019
Current assets		
Cash and cash equivalents	\$ 14,719,406	\$ 6,069,011
Accounts receivable	138,343	423,973
Employee receivables, current portion	263,300	236,904
Prepaid expenses and other assets	196,895	128,590
Total current assets	15,317,944	6,858,478
Employee receivables, net of current portion	258,333	12,000
Other assets	251,054	240,176
Property and equipment, net	49,090,700	33,187,307
Total assets	\$ 64,918,031	\$ 40,297,961
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 647,793	\$ 751,171
Capital leases, current portion	16,088	18,827
Notes payable, current portion	1,641,535	816,697
Total current liabilities	2,305,416	1,586,695
Long-term liabilities		
Capital leases, net of current portion	24,611	40,698
Notes payable, net of current portion	24,794,177	23,223,298
Accrued liabilities	-	405,000
Total long-term liabilities	24,818,788	23,668,996
Total liabilities	27,124,204	25,255,691
Net assets		
Without donor restrictions	32,834,957	14,060,206
With donor restrictions	4,958,870	982,064
Total net assets	37,793,827	15,042,270
Total liabilities and net assets	\$ 64,918,031	\$ 40,297,961

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

THE AUSTIN STONE COMMUNITY CHURCH
STATEMENTS OF ACTIVITIES
YEARS ENDED JULY 31, 2020 AND 2019

Net assets without restrictions:	2020	2019
Revenues		
Tithes and offerings	\$ 22,392,339	\$ 17,342,906
Gain on merger of the Church at Canyon Creek	14,723,491	-
Program revenue	1,118,825	516,225
Facility rental	1,105,637	780,621
Counseling center	977,537	1,022,707
Interest income	18,485	18,712
Other revenue	16,340	341,888
	40,352,654	20,023,059
Net assets released from restrictions:		
Restrictions satisfied by payments	1,953,460	1,728,505
	42,306,114	21,751,564
Expenses		
Program services		
Congregational programs	6,583,784	5,568,079
Counseling center	1,127,523	1,161,975
Equipping and resources	743,831	655,667
Family ministry	1,743,677	1,378,833
Global mission	2,339,770	2,688,135
Local mission	2,155,450	1,291,439
National mission	270,212	286,618
Soul care	105,226	98,412
Staff and leader development	542,273	530,442
Worship and gathering	3,356,507	3,109,896
Total program expenses	18,968,253	16,769,496
General and administrative	4,563,110	4,036,516
	23,531,363	20,806,012
Increase (decrease) in net assets without restrictions	18,774,751	945,552
Net assets with restrictions		
Contributions	5,930,266	2,001,412
Net assets released from restrictions	(1,953,460)	(1,728,505)
Increase (decrease) in net assets with restrictions	3,976,806	272,907
Change in net assets	22,751,557	1,218,459
Net assets at beginning of year	15,042,270	13,823,811
Net assets at end of year	\$ 37,793,827	\$ 15,042,270

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

THE AUSTIN STONE COMMUNITY CHURCH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2020

	Program Services	General and Administrative	Totals
Expenses			
Benefits	\$ 1,333,396	\$ 337,021	\$ 1,670,417
Compensation	6,491,691	1,453,279	7,944,970
Contract Labor, Royalties, & Security	1,555,707	46,063	1,601,770
Depreciation	1,222,643	366,746	1,589,389
Facility Expense	1,190,824	959,438	2,150,262
Individual Support*	1,499,388	-	1,499,388
Insurance	488	115,169	115,657
Interest Expense	863,802	284,521	1,148,323
Meetings & Development	1,697,189	51,485	1,748,674
Organizational Support	1,501,090	-	1,501,090
Professional Fees	37,007	153,777	190,784
Supplies, Software, & Fees	1,282,436	734,459	2,016,895
Taxes	119,566	56,376	175,942
Travel	173,027	4,775	177,802
Total expenses	<u>\$ 18,968,254</u>	<u>\$ 4,563,109</u>	<u>\$ 23,531,363</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.

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

Expenses	Program Services	General and Administrative	Totals
Benefits	\$ 1,103,503	\$ 174,790	\$ 1,278,293
Compensation	5,953,609	1,226,320	7,179,929
Contract Labor, Royalties, & Security	1,795,858	18,912	1,814,770
Depreciation	858,232	380,184	1,238,416
Facility Expense	1,251,771	1,053,346	2,305,117
Individual Support*	1,235,132	-	1,235,132
Insurance	-	118,859	118,859
Interest Expense	759,645	236,295	995,940
Meetings & Development	1,629,989	42,965	1,672,954
Organizational Support	621,696	-	621,696
Professional Fees	17,787	100,833	118,620
Supplies, Software, & Fees	1,020,717	692,517	1,713,234
Taxes	25,275	2,341	27,616
Travel	475,201	10,235	485,436
Total expenses	<u>\$ 16,748,415</u>	<u>\$ 4,057,597</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.

THE AUSTIN STONE COMMUNITY CHURCH
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2020 AND 2019

	2020	2019
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 22,751,557	\$ 1,218,459
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Gain on merger of the Church at Canyon Creek	(14,723,491)	-
(Gain) on sale of property and equipment	(475)	-
Depreciation	1,589,389	1,238,416
(Increase) decrease in accounts receivable	285,630	(222,951)
(Increase) decrease in employee receivables	3,604	(248,904)
(Increase) decrease in prepaid expenses and other assets	(68,305)	(42,065)
(Increase) decrease in other assets	(10,878)	(240,176)
Increase (decrease) in accounts payable	(103,378)	(490,521)
Increase (decrease) in accrued liabilities	(405,000)	180,000
Net cash provided by operating activities	9,318,653	1,392,258
<u>Cash flows from investing activities</u>		
Disbursement on employee loans	(288,000)	-
Collections on employee loans	11,667	-
Proceeds from sale of property and equipment	3,832	-
Purchase of property and equipment	(1,763,083)	(1,983,796)
Net cash used in investing activities	(2,035,584)	(1,983,796)
<u>Cash flows from financing activities</u>		
Payments on capital lease obligations	(18,826)	(22,464)
Proceeds from long-term debt	2,254,302	3,352,820
Payments on long-term debt	(868,150)	(554,578)
Net cash provided by financing activities	1,367,326	2,775,778
Increase in cash and cash equivalents	8,650,395	2,184,240
Cash and cash equivalents - beginning of year	6,069,011	3,884,771
Cash and cash equivalents - end of year	\$ 14,719,406	\$ 6,069,011
<u>Supplemental Disclosure</u>		
Interest paid	\$ 643,157	\$ 1,055,869
Non-cash acquisition of property and equipment	\$ 15,733,056	\$ 64,508

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

THE AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The 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 (U.S. 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.

The Church, in accordance with its compensation plan, has also provided forgivable loans to employees within select roles for housing purposes. These loans are being forgiven over time and included in compensation.

THE AUSTIN STONE COMMUNITY CHURCH
 NOTES TO FINANCIAL STATEMENTS
 JULY 31, 2020 AND 2019

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

Employee Receivables (continued)

Employee receivables consisted of the following at July 31:

	2020	2019
Medical reimbursement receivables	\$ 233,300	\$ 236,904
Forgivable loans	288,333	12,000
	\$ 521,633	\$ 248,904

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.

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 U.S. GAAP.

THE AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

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

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.

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 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 U.S. 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

The Church adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The update assists entities in evaluating whether transactions should be accounting for as contributions as an exchange transactions, and determining whether a contribution is conditional. The Church adopted FASB ASU No. 2018-08 as of August 1, 2019, using the modified prospective basis. The Church did not make any significant changes to the financial statements as a result of the adoption.

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.

THE AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE B - CONCENTRATION OF RISK

The total cash held by the Church at July 31, 2020, includes \$14,115,516 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.

NOTE C - AVAILABLE RESOURCES AND LIQUIDITY

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

	<u>2020</u>	<u>2019</u>
Financial assets at year-end		
Cash and cash equivalents	\$14,719,406	\$ 6,069,011
Accounts receivable	<u>138,343</u>	<u>423,973</u>
Total financial assets at year-end	14,857,749	6,492,984
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>4,958,870</u>	<u>982,064</u>
Financial assets available to meet cash needs for general expenditures over the next twelve months	<u><u>\$ 9,898,879</u></u>	<u><u>\$ 5,510,920</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. In addition to the minimum operating cash balance, the church aims to maintain a \$1,000,000 reserve for its self-funded health plan, and as of July 31, 2020, had \$861,686 set aside for capital improvements.

NOTE D - PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Land	\$15,556,534	\$ 8,706,534
Building	35,529,357	26,739,357
Equipment	3,353,709	2,507,355
Furniture & fixtures	2,629,132	2,318,481
Improvements	<u>688,601</u>	<u>-</u>
	<u>57,757,333</u>	<u>40,271,727</u>

THE AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE D - PROPERTY AND EQUIPMENT (Continued)

	2020	2019
Less: accumulated depreciation	(8,666,633)	(7,084,420)
Total property and equipment	\$49,090,700	\$33,187,307

NOTE E - LONG-TERM DEBT

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

	2020	2019
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 (2.43% at July 31, 2020); secured by a deed of trust on the Church's property; principal and interest payments due monthly. The note matures on July 21, 2024.	\$ 3,844,415	\$ 3,972,773
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 (2.43% at July 31, 2020); secured by a deed of trust on the Church's property; interest and principal payments due monthly. The note matures on July 21, 2024.	1,947,459	2,012,486
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 (2.32% at July 31, 2020); secured by the Church's assets; interest and principal payments due monthly. The note matures on September 1, 2025.	2,178,574	2,260,359
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 (2.51% at July 31, 2020); 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.	9,293,533	9,549,174

THE AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE E - LONG-TERM DEBT (Continued)

	2020	2019
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 Church paid the loan in full as of July 31, 2020.	\$ -	\$ 2,500,000
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 Church paid the loan in full as of July 31, 2020.	-	500,000
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 (2.32% at July 31, 2020); secured by a deed of trust on the Church's property; interest and principal payments due monthly. The note matures on April 1, 2025.	3,148,706	3,245,203
Note payable to Frost Bank with initial balance of \$5,000,000 and an interest rate of 2.00% above the LIBOR rate, adjusted monthly (2.17% at July 31, 2020); secured by a deed of trust on the Church's property; interest and principal payments due monthly. The note matures on January 31, 2030.	4,286,225	-
Note payable to Frost Bank with initial balance of \$1,736,800 and an interest rate of 1.00% (1.00% at July 31, 2020); secured by a deed of trust on the Church's property; interest and principal payments due monthly. The note matures on April 17, 2022. This note payable is a part of the paycheck protection program.	1,736,800	-
	\$26,435,712	\$24,039,995

Interest expense amounted to \$1,148,323 and \$995,940 for the years ended July 31, 2020 and 2019, respectively. Interest capitalized to construction in progress amounted to \$250,000 and \$238,407 for the years ended July 31, 2020 and 2019, respectively.

THE AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE E - LONG-TERM DEBT (Continued)

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.

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

<u>Year ending July 31,</u>	
2021	\$ 1,641,535
2022	2,257,651
2023	1,141,515
2024	14,455,747
2025	3,430,590
Thereafter	<u>3,508,674</u>
	<u><u>\$26,435,712</u></u>

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

The Church applied for a Paycheck Protection Program loan made available through the passing of the Cares Act and received \$1,736,800 in April 2020. The Church has filed for forgiveness and expects the full loan amount to be forgiven.

THE AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE F - NET ASSETS

Net assets with donor restrictions were as follows as of July 31:

	2020	2019
Missions fund		
For The Nations Fund	\$ 1,775,509	\$ 518,745
Local Mission Fund	900,102	-
Mercy Fund	523,721	-
Building Fund	1,759,538	463,319
	\$ 4,958,870	\$ 982,064

NOTE F - NET ASSETS (Continued)

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

	2020	2019
Missions fund		
For The Nations Fund	\$ 1,133,046	\$ 1,163,843
Mercy Fund	763,944	198,185
Building fund activities	6,470	255,600
Austin Stone Institute Fund activities	50,000	110,877
	\$ 1,953,460	\$ 1,728,505

NOTE G - COMMITMENTS

Leases

During 2015, the Church entered into a 5-year capital lease agreement with an independent third party that expired 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 \$3,582 and \$14,330 during the years ended July 31, 2020 and 2019, respectively. Assets under the capital lease agreement consist of equipment with an original cost of \$65,352 and accumulated depreciation of \$56,682 as of July 31, 2020.

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 \$17,841 and \$10,407 during the years ended July 31, 2020 and 2019, respectively. Assets under the capital lease agreement consist of equipment with an original cost of \$64,508 and accumulated depreciation of \$23,809 as of July 31, 2020.

THE AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE G - COMMITMENTS (Continued)

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 five years:

<u>Year Ending July 31:</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2021	\$ 17,841	\$ 929,694
2022	17,841	844,247
2023	7,761	167,241
2024	-	118,006
2025	-	72,879
Less: Imputed Interest	<u>(2,744)</u>	<u>-</u>
	<u>\$ 40,699</u>	<u>\$ 2,132,067</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, 2020 and 2019, was \$1,033,118 and \$1,112,063, respectively.

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>	
2021	\$ 822,542
2022	733,526
2023	692,082
2024	672,644
2025	664,814
Thereafter	<u>3,585,610</u>
	<u>\$ 7,171,218</u>

THE AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE H - PERSONNEL EXPENSES

The Church paid salaries and related payroll benefits and taxes in the years ended July 31, 2020 and 2019, in the amount of \$9,144,400 and \$8,244,553, 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 \$319,943 and \$185,473 to the plan for the years ended July 31, 2020 and 2019, respectively.

NOTE I - RELATED PARTIES

The Church provides administrative, human resources, 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, 2020 and 2019, the Church billed these related parties approximately \$447,994 and \$150,000, respectively, for these services. For the years ended July 31, 2020 and 2019, the Church donated to For the City Network \$676,008 and \$66,003, respectively. For the years ended July 31, 2020 and 2019, the Church paid Unison \$173,400 and \$173,500, respectively, for facility maintenance work.

NOTE J - MERGER

On February 18, 2020, the Church at Canyon Creek (CaCC) merged into the Church. Under the closing agreement of the merger, CaCC donated its land, building and certain other assets to the Church. The Church accepted the land and building subject to a bond loan, which was paid off. The following transaction was recorded by the Church for the merger.

Land	\$ 6,850,000
Building	8,790,000
Equipment	50,364
Cash	75,361
Bond loan, including accrued interest	<u>(1,042,234)</u>
Contribution recognized from merger	<u><u>\$14,723,491</u></u>