

FIELDER CHURCH

Arlington, Texas

Consolidated Financial Statements

Years Ended March 31, 2023 and 2022

FIELDER CHURCH
Consolidated Financial Statements
Years Ended March 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Trustees
Fielder Church
Arlington, Texas

Opinion

We have audited the accompanying consolidated financial statements of Fielder Church (the "Church"), which comprise the consolidated statements of financial position as of March 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fielder Church as of March 31, 2023 and 2022, 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.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Church and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Church's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

PSK LLP

Arlington, Texas
July 5, 2023

FIELDER CHURCH
Consolidated Statements of Financial Position
March 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 3,087,979	\$ 3,128,725
Accounts receivable	107,889	106,660
Prepaid expenses	100,531	66,850
Property and equipment, net	31,929,281	30,154,988
Operating lease right-of-use assets	507,508	-
Restricted cash	-	908,372
Investments	<u>336,786</u>	<u>407,315</u>
Total assets	<u>\$ 36,069,974</u>	<u>\$ 34,772,910</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 124,743	\$ 170,462
Accrued expenses	98,398	251,821
Accrued payroll	387,711	351,249
Deferred revenue	58,505	57,413
Deferred insurance claims	-	739,908
Line of credit	-	904,832
Notes payable	7,845,766	4,711,125
Operating lease liabilities	<u>507,508</u>	<u>-</u>
Total liabilities	<u>9,022,631</u>	<u>7,186,810</u>
Net assets		
Without donor restrictions	26,272,089	25,842,218
With donor restrictions	<u>775,254</u>	<u>1,743,882</u>
Total net assets	<u>27,047,343</u>	<u>27,586,100</u>
Total liabilities and net assets	<u>\$ 36,069,974</u>	<u>\$ 34,772,910</u>

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

FIELDER CHURCH
Consolidated Statement of Activities
Year Ended March 31, 2023

Change in net assets without donor restrictions:

Revenues

Tithes and offerings	\$ 8,021,354
Early Childhood Center	1,392,716
Program service revenues	119,725
Building rental income	1,323,049
Gas lease and easement bonus income	30,377
Other income	12,340
Net assets released from restrictions	<u>1,945,789</u>

Total revenues	<u>12,845,350</u>
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Program expenses

Weekend Worship	3,880,263
Education	2,113,740
Generosity	1,509,631
Early Childhood Center	<u>842,284</u>

Total program expenses	<u>8,345,918</u>
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Supporting services	<u>4,069,561</u>
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Total expenses	<u>12,415,479</u>
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Change in net assets without donor restrictions	<u>429,871</u>
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Change in net assets with donor restrictions:

Revenues

Tithes and offerings	653,096
Momentum and Future Generations offerings	355,594
Net investment loss	(31,529)
Net assets released from restrictions	<u>(1,945,789)</u>

Change in net assets with donor restrictions	<u>(968,628)</u>
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Change in net assets	(538,757)
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Net assets at beginning of the year	<u>27,586,100</u>
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Net assets at end of the year	<u><u>\$ 27,047,343</u></u>
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The accompanying notes are an integral part of these consolidated financial statements.

FIELDER CHURCH
Consolidated Statement of Activities
Year Ended March 31, 2022

Change in net assets without donor restrictions:

Revenues

Tithes and offerings	\$ 7,522,036
Early Childhood Center	785,070
Program service revenues	184,395
Building rental income	1,253,858
Gas lease and easement bonus income	88,702
Gain on disposal of property and equipment	670,606
Other income	39,713
Net assets released from restrictions	<u>2,232,313</u>

Total revenues	<u>12,776,693</u>
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Program expenses

Weekend Worship	3,251,329
Education	2,142,224
Generosity	1,566,563
Early Childhood Center	773,774
Rental Properties	<u>151,482</u>

Total program expenses	<u>7,885,372</u>
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Supporting services	<u>4,209,961</u>
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Total expenses	<u>12,095,333</u>
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Change in net assets without donor restrictions	<u>681,360</u>
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Change in net assets with donor restrictions:

Revenues

Tithes and offerings	643,429
Momentum and Future Generations offerings	2,264,729
Net investment returns	62,984
Net assets released from restrictions	<u>(2,232,313)</u>

Change in net assets with donor restrictions	<u>738,829</u>
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Change in net assets	1,420,189
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Net assets at beginning of the year	<u>26,165,911</u>
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Net assets at end of the year	<u><u>\$ 27,586,100</u></u>
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The accompanying notes are an integral part of these consolidated financial statements.

FIELDER CHURCH
Consolidated Statement of Functional Expenses
Year Ended March 31, 2023

	Program Expenses					
	Weekend Worship	Education	Generosity	Early Childhood Center	Supporting Services	Total
Salaries and wages	\$ 1,209,258	\$ 919,820	\$ 271,393	\$ 500,092	\$ 898,546	\$ 3,799,109
Employee benefits	304,146	56,433	47,186	34,384	457,700	899,849
Payroll taxes and processing fees	4,174	9,824	2,000	34,486	1,249,876	1,300,360
Grants and support for others	-	39,040	678,660	-	-	717,700
Events	11,705	91,112	172	620	2,092	105,701
Meals, travel, and lodging	103,724	96,855	301,153	11,520	18,969	532,221
Supplies and resources	165,772	209,370	159,870	51,438	397,079	983,529
Media and technology	32,896	22,543	6,888	4,121	181,033	247,481
Risk management	-	-	-	1,020	-	1,020
Fees for services	396,262	43,619	42,309	25,996	136,468	644,654
Facilities	312,777	-	-	-	637,410	950,187
Depreciation	1,152,315	537,747	-	153,642	76,821	1,920,525
Interest	187,234	87,377	-	24,965	12,482	312,058
Other	-	-	-	-	1,085	1,085
	<u>\$ 3,880,263</u>	<u>\$ 2,113,740</u>	<u>\$ 1,509,631</u>	<u>\$ 842,284</u>	<u>\$ 4,069,561</u>	<u>\$ 12,415,479</u>

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

FIELDER CHURCH
Consolidated Statement of Functional Expenses
Year Ended March 31, 2022

	Program Expenses						
	Weekend Worship	Education	Generosity	Early Childhood Center	Rental Properties	Supporting Services	Total
Salaries and wages	\$ 1,161,302	\$ 959,243	\$ 167,424	\$ 475,403	\$ 18,868	\$ 906,533	\$ 3,688,773
Employee benefits	229,629	212,632	37,903	29,444	-	284,539	794,147
Payroll taxes and processing fees	75,589	81,727	9,172	53,214	796	139,181	359,679
Grants and support for others	-	26,773	954,542	-	-	-	981,315
Events	-	110,402	-	1,947	-	-	112,349
Meals, travel, and lodging	92,148	37,382	238,861	8,937	85	60,234	437,647
Supplies and resources	168,415	71,851	124,299	23,930	13,849	375,885	778,229
Media and technology	28,330	44,959	4,301	1,246	-	261,396	340,232
Risk management	-	-	-	1,020	-	172,781	173,801
Fees for services	301,176	39,288	30,061	19,334	25,791	1,346,495	1,762,145
Facilities	-	422	-	-	81,003	578,596	660,021
Depreciation	1,078,619	503,355	-	143,816	-	71,908	1,797,698
Interest	116,121	54,190	-	15,483	-	7,741	193,535
Other	-	-	-	-	11,090	4,672	15,762
	<u>\$ 3,251,329</u>	<u>\$ 2,142,224</u>	<u>\$ 1,566,563</u>	<u>\$ 773,774</u>	<u>\$ 151,482</u>	<u>\$ 4,209,961</u>	<u>\$ 12,095,333</u>

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

FIELDER CHURCH
Consolidated Statements of Cash Flows
Years Ended March 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (538,757)	\$ 1,420,189
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,920,525	1,797,698
Gain on disposal of property and equipment	-	(670,606)
Net realized / unrealized (gain) loss on investments	31,529	(57,934)
Contributions restricted for building and improvements	(355,594)	(2,264,729)
(Increase) decrease in assets:		
Accounts receivable	(1,229)	(2,088)
Prepaid expenses	(33,681)	44,561
Increase (decrease) in liabilities:		
Accounts payable	(45,719)	(63,748)
Accrued expenses	(153,423)	105,143
Accrued payroll	36,462	4,107
Deferred revenue	1,092	(9,268)
Deferred insurance claims	(739,908)	739,908
Net cash provided by operating activities	<u>121,297</u>	<u>1,043,233</u>
Cash flows from investing activities:		
Purchases of investments	-	(5,050)
Proceeds from sale of investments	39,000	26,500
Purchases of property and equipment	(3,694,818)	(2,134,111)
Proceeds from disposal of property and equipment	<u>-</u>	<u>1,075,673</u>
Net cash used in investing activities	<u>(3,655,818)</u>	<u>(1,036,988)</u>
Cash flows from financing activities:		
Contributions restricted for building and improvements	355,594	2,264,729
Advances on line of credit	1,569,632	480,721
Advances on notes payable	8,000,000	-
Payments on line of credit	(2,474,464)	(100,000)
Payments on notes payable	<u>(4,865,359)</u>	<u>(732,784)</u>
Net cash provided by financing activities	<u>2,585,403</u>	<u>1,912,666</u>
Change in cash, cash equivalents, and restricted cash	(949,118)	1,918,911
Cash, cash equivalents, and restricted cash at the beginning of the year	<u>4,037,097</u>	<u>2,118,186</u>
Cash, cash equivalents, and restricted cash at the end of the year	<u>\$ 3,087,979</u>	<u>\$ 4,037,097</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 312,058</u>	<u>\$ 193,535</u>

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

FIELDER CHURCH
Notes to Consolidated Financial Statements

1 - Organization and Nature of Activities

Fielder Church (the "Church") was organized in 1957 and incorporated as Fielder Road Baptist Church in 1964 in the state of Texas, as a nonprofit organization, for the purpose of providing ministry services to the public. The Church is exempt from federal income taxes under Internal Revenue Code section 501(c)(3), as other than a private foundation. The Church operates a wholly owned taxable subsidiary, Providential Properties, Inc., which provides payroll, accounting and other services. Providential Properties, Inc.'s financial statements are fully consolidated into the Church's financial statements for this presentation; however, the financial activity of Providential Properties, Inc. is immaterial to the consolidated financial statements as a whole.

2 - Summary of Significant Accounting Policies

Basis of Accounting - The consolidated financial statements of the Church have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the obligation is incurred. The consolidated financial statements of the Church have been prepared using accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard - In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a right-of-use asset and a lease liability for most leases on the consolidated statements of financial position as well as other qualitative and quantitative disclosures. ASU 2016-02 is to be applied using a modified retrospective method and became effective for the Church on April 1, 2022. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing organizations to recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption, with no restatement of comparative prior periods required. The Church adopted the standard using this optional transition method.

The FASB has provided certain practical expedients in applying the standard. Of the allowed practical expedients within the standard, the Church elected the package of practical expedients which, among other things, allowed for historical lease classification to be carried forward upon adoption of the standard. The Church did not elect the hindsight practical expedient when determining the lease term for existing leases. In addition, the Church did not separate non-lease components from lease components by class of underlying assets where appropriate and the Church did not apply the recognition requirements of the standard to short-term leases with an initial term of 12 months or less, as allowed by the standard.

Upon adoption of the standard, the Church recorded offsetting right-of-use assets and lease liabilities resulting in a \$716,751 increase in other assets, a \$209,243 increase in current liabilities and a \$507,508 increase in long-term liabilities on the consolidated statements of financial position, as of April 1, 2022.

Basis of 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 Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

FIELDER CHURCH
Notes to Consolidated Financial Statements

2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition - The Church derives its revenues primarily from contributions from the Church membership, program fees and income, tuition and rental income. Revenues related to contributions are recognized when the funds are received. Revenues related to program fees and income and event fees are recognized at the point in time at which the Church provides the program service or conducts the event. Revenues related to tuition and rental income are recognized evenly over the period of time during which services are rendered. All revenues are recognized in an amount that reflects the consideration the Church has received or expects to receive in exchange for those services.

Performance Obligations - Performance obligations related to program fees and income and event fees are satisfied at the point in time when the Church provides a certain program service, provides certain program materials, or conducts an event. Funds for these services may be collected at the time the service is rendered, or funds may be collected in advance in which case deferred revenue is recorded until the service is rendered. Performance obligations related to tuition and rental revenue are satisfied over the period of time for which a child has been enrolled or for which the Church has made resources available for the customer's use. Tuition and rental payments are billed and collected on a monthly basis, and the related revenue is recognized evenly during the month as services are rendered.

Programs - The Church pursues its objectives through the execution of the following programs:

Weekend Worship - Leads the Church in worship and provides choir activities for all age groups.

Education - Provides Bible study and discipleship training.

Early Childhood Center - Provides Christian-based education and day care services.

Generosity - Exhaling the gospel by sending, church planting, serving and compassionately relieving people in need, locally and throughout the world.

Rental properties - Operating expenses related to the various rental properties of the Church.

Use of Estimates - Management used estimates and assumptions in preparing these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents - The Church considers all bank deposits and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital needs, such as building projects and debt retirement, or other long-term purposes, are excluded from this definition.

Asset Composition - The Church does not always maintain sufficient liquid cash reserves to satisfy donor-imposed restrictions on net assets, on a daily basis. Instead, a cash management strategy designed to minimize interest expense is employed, such that surplus cash is used to reduce long-term debt through a "sweep arrangement" with the bank. The Church utilizes its credit line, when necessary, to satisfy cash needs. Of the \$3 million available on the Church's credit line, \$750,000 is reserved to satisfy donor-imposed restrictions and the balance for unrestricted ministry needs. This credit line is always available, unless fully drawn upon, and there are no insecurity clauses which would allow the bank to refuse to fund the credit line beyond a condition of default.

FIELDER CHURCH
Notes to Consolidated Financial Statements

2 - Summary of Significant Accounting Policies (continued)

Investments - As required by the Not-for-Profit Entities Investments of Debt and Equity Securities topic of the FASB ASC, investments in marketable equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment transactions are recorded on a trade date basis.

Property and Equipment - It is the Church's policy to capitalize fixed asset purchases of \$1,000 or more. Maintenance, repairs and minor renewals that do not significantly improve or extend the lives of the representative assets are expensed when incurred. Additions, improvements and major renewals are capitalized. The carrying value of fixed assets is cost, except where the cost of the assets is unknown and information relating thereto is unavailable. Assets acquired prior to December 31, 1978, where the cost of the assets is unknown, are carried at estimated depreciated cost at December 31, 1978. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings and improvements	3 - 50 years
Furniture and equipment	3 - 20 years
Transportation equipment	5 - 10 years

Leases - The Church recognizes a right-of-use asset and a lease liability on the effective date of a lease agreement. Right-of-use assets represent the right to use an underlying asset over the lease term and lease liabilities represent the obligation to make lease payments resulting from the lease agreement. The Church initially records these assets and liabilities based on the present value of lease payments over the lease term calculated using its incremental borrowing rate applicable to the leased asset or the implicit rate within the lease agreement if it is readily determinable. Lease agreements with lease and non-lease components are combined as a single lease component. Right-of-use assets additionally include net prepaid lease expenses. Options to extend or terminate an agreement are included in the lease term when it becomes reasonably certain the option will be exercised. Leases with an initial term of 12 months or less, short-term leases, are not recorded on the consolidated statements of financial position for all underlying asset classes. Lease expense for short-term and long-term operating leases is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred.

Donated Noncash Assets - Contributions in the form of noncash assets are recorded as support at their estimated fair values at the date of donation. Such contributions are recorded as unrestricted support unless the donor has placed restrictions on the use of the donated asset, or any proceeds derived from a subsequent sale, to a specific purpose.

Compensated Absences - Employees of the Church, administrative and ministry, are entitled to paid vacation depending on length of service and other factors. Employees have one year from their anniversary date of hire to use their vacation. The Church calculates the accrual for compensated absences based on employees' hourly rate and number of hours of vacation available at the fiscal year end.

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities for the years ended March 31, 2023 and 2022. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates of time and effort and utilization of facilities.

FIELDER CHURCH
Notes to Consolidated Financial Statements

2 - Summary of Significant Accounting Policies (continued)

Income Taxes - The Church follows the Income Taxes topic of the FASB ASC, which prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The Church is not aware of any activities that would jeopardize its tax-exempt status and is not aware of any activities that are subject to tax on unrelated business income. As of March 31, 2023, the Church has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements and does not expect this to change in the next twelve months.

Concentration of Credit Risk - The Church may occasionally have deposits with financial institutions in excess of the federally insured limit. It is the opinion of the Church's management that the solvency of the financial institutions is sufficient to cover any exposure.

Subsequent Events - Subsequent events have been evaluated through July 5, 2023, which is the date the consolidated financial statements were available to be issued.

3 - Liquidity and Availability of Resources

The Church operates under a budget for its auxiliary ministries and activities supported by unrestricted tithes and offerings. Its Trustees (the "Board") is responsible for monitoring the liquidity necessary to meet the Church's operating needs, and meets periodically throughout the year to evaluate the actual results of financial operations versus the budget. Additionally, the Church maintains donor-restricted funds purposed for various other activities consistent with the mission of the Church (See Note 10). Church management, in accordance with Church policy and/or in collaboration with the Board, appropriates resources from Board-designated and donor-restricted funds as needed.

Financial assets available for general expenditure, that is, without donor restrictions limiting their use or without requiring specific action of the Board, within one year of the date of the consolidated statements of financial position are comprised of the following:

	2023	2022
Cash and cash equivalents	\$ 3,087,979	\$ 3,128,725
Restricted cash	-	908,372
Accounts receivable	107,889	106,660
	3,195,868	4,143,757
Donor-restricted funds	(775,254)	(1,743,882)
Financial assets available to meet general expenditure needs within one year	<u>\$ 2,420,614</u>	<u>\$ 2,399,875</u>

See Asset Composition in Note 2 Summary of Significant Accounting Policies for more information regarding liquid cash reserves and credit line.

FIELDER CHURCH
Notes to Consolidated Financial Statements

4 - Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statements of financial position that sum to the total of the same amounts shown in the consolidated statements of cash flows for the years ended March 31, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 3,087,979	\$ 3,128,725
Restricted cash	<u>-</u>	<u>908,372</u>
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	<u>\$ 3,087,979</u>	<u>\$ 4,037,097</u>

5 - Fair Value Measurements and Disclosures

The Church follows the Fair Value Measurements topic of the FASB ASC for all financial assets and liabilities measured at fair value on a recurring basis. The topic establishes a framework for measuring fair value and enhances disclosure requirements for fair value measurements. The topic defines fair value as 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. This topic establishes market or observable inputs as the preferred sources of values, followed by assumptions based on hypothetical transactions in the absence of market inputs.

The topic establishes a hierarchy for grouping these assets and liabilities based on the significance level of the following inputs:

Level I – Quoted prices in active markets for identical assets or liabilities.

Level II – Quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose inputs are observable or whose significant drivers are observable.

Level III – Significant inputs to the valuation model are unobservable.

The following is a listing of assets required to be measured at fair value on a recurring basis and where they are classified within the hierarchy as of March 31, 2023 and 2022:

March 31, 2023:	Level I	Level II	Level III	Total
Cash equivalents	\$ 932	\$ -	\$ -	\$ 932
Equity securities	<u>335,854</u>	<u>-</u>	<u>-</u>	<u>335,854</u>
	<u>\$ 336,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 336,786</u>
March 31, 2022:	Level I	Level II	Level III	Total
Cash equivalents	\$ 1,156	\$ -	\$ -	\$ 1,156
Equity securities	<u>406,159</u>	<u>-</u>	<u>-</u>	<u>406,159</u>
	<u>\$ 407,315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 407,315</u>

Cash equivalents and equity securities are valued using Level I inputs. These inputs consist of quoted prices on nationally recognized securities exchanges.

FIELDER CHURCH
Notes to Consolidated Financial Statements

6 - Property and Equipment

The following is a summary of property and equipment at March 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 4,051,606	\$ 3,889,585
Buildings and improvements	51,963,990	47,202,432
Construction in progress	-	1,375,140
Furniture and equipment	5,246,628	5,100,249
Transportation equipment	<u>162,356</u>	<u>162,356</u>
	61,424,580	57,729,762
Less accumulated depreciation	<u>(29,495,299)</u>	<u>(27,574,774)</u>
Property and equipment, net	<u><u>\$ 31,929,281</u></u>	<u><u>\$ 30,154,988</u></u>

Depreciation expense for the years ended March 31, 2023 and 2022 was \$1,920,525 and \$1,797,698, respectively.

7 - Leases

As of March 31, 2023, the Church had various obligations remaining under operating lease arrangements related primarily to the rental of office equipment and office space. Many of these leases include one or more options to renew and extend the agreement beyond the current lease expiration date or to terminate the agreement prior to the lease expiration date. These options are included in the calculation of the Church's operating lease right-of-use asset and liability when it becomes reasonably certain the option will be exercised. The Church's lease obligations typically do not include options to purchase the leased property, nor do they contain residual value guarantees or material restrictive covenants. Operating leases with an initial term of more than 12 months are included within the consolidated statements of financial position as discounted lease liabilities and corresponding right-of-use assets consisting of the following as of March 31, 2023:

Operating lease right-of-use assets	\$ 507,508
Operating lease liabilities, current	<u>(214,742)</u>
Operating lease liabilities, long-term	<u><u>\$ (292,766)</u></u>

As of March 31, 2023, the weighted-average remaining lease term for outstanding operating lease obligations was 2.35 years and the weighted-average discount rate was 3.50%. Future minimum lease payments under these operating leases as of March 31, 2023, are as follows:

<u>Year Ending March 31,</u>	
2024	\$ 229,081
2025	222,684
2026	72,792
2027	<u>4,859</u>
Total lease payments	529,416
Less interest	<u>(21,908)</u>
Present value of lease liabilities	<u><u>\$ 507,508</u></u>

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7 - Leases (continued)

During the year ended March 31, 2023, cash paid for amounts included in the measurement of operating lease liabilities was \$229,081, while operating lease expense equal to cash paid was recognized on a straight-line basis. Operating lease expense is recorded in supporting services within the consolidated statements of activities.

8 - Deferred Insurance Claim

The Church received insurance claim proceeds related to storm damage to facilities and roofing damage due to a hail storm that approximates the amount of an asset impairment. Instead of recording income for the proceeds and also recording a loss for impairment, management has chosen to report the proceeds as a liability. The restoration process began in June 2021, and the liability balance as of March 31, 2022 represents the value of the Church's commitments as of that date to restore the damaged facilities to their previous level of functionality in the near future. The restoration process was completed as of March 31, 2023.

9 - Notes Payable and Line of Credit

The Church has a note payable with a financial institution in the original principal amount of \$10,059,148, with an additional revolving line of credit in the amount of \$3,000,000. The Church has entered into a "sweep agreement" with the bank related to the line of credit in which, upon any draw made against the line of credit, a sweep is made from a Church checking account to repay the balance when funds are available. See Asset Composition in Note 2 Summary of Significant Accounting Policies for more information regarding the "sweep agreement" and line of credit. As of March 31, 2023 and 2022, the note had an outstanding balance of \$0 and \$904,832 respectively.

The note payable bears interest at the Prime Rate, but the interest rate shall not fall below 3.25% or go above 4.00%. The rate in effect as of March 31, 2023 and 2022 was 4.00% and 3.25%, respectively. The note requires monthly interest payments and nine annual, consecutive principal payments of \$660,800, which began on January 16, 2014; after the nine annual payments are made, the remaining principal and unpaid accrued interest will be due and payable on September 16, 2023. The note is secured by land, buildings and improvements. As of March 31, 2022, the note had an outstanding balance of \$3,412,281. In October 2022, the Church restructured its outstanding debt at which time this note was paid in full.

In October 2018, the Church entered into a note payable with a financial institution in the original principal amount of \$1,574,000. The note payable bears interest at the Prime Rate (adjusted annually in October), but the interest rate shall not fall below 4.00% or go above 6.00%. The rate in effect as of March 31, 2023 and 2022 was 6.00% and 4.00%, respectively. The note requires monthly interest payments and nine annual, consecutive principal payments of \$62,900, which began on October 30, 2019; after the nine annual payments are made, the remaining principal and unpaid accrued interest will be due and payable on October 30, 2028. The note is secured by land, buildings and improvements. As of March 31, 2022, the note had an outstanding balance of \$1,298,844. In October 2022, the Church restructured its outstanding debt at which time this note was paid in full.

In October 2022, the Church entered into a note payable with a financial institution in the original principal amount of \$8,000,000 to consolidate its existing loans. The note payable bears interest at 4.50% for the first five years, then bears interest at the Prime Rate for the remainder of the loan term, but the interest rate shall not fall below 3.25% or go above 7.50%. The rate in effect as of March 31, 2023 was 4.50%. The note requires monthly interest payments and sixty annual, consecutive principal payments of \$42,847, which began on November 7, 2022. Beginning November 2027, the note requires monthly principal and interest payments of \$48,568 until its maturity on October 7, 2052. As of March 31, 2023, the note had an outstanding balance of \$7,845,766.

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10 - Net Assets With Donor Restrictions

The balance of net assets with donor restrictions as of March 31, 2023 and 2022 relates to certain contributions for which the donors have imposed restrictions. These restrictions require the Church to use such funds as follows:

	2023	2022
Momentum campaign	\$ -	\$ 908,372
Missions	176,358	132,825
Scholarships	338,251	409,310
Other	260,645	293,375
	<u>\$ 775,254</u>	<u>\$ 1,743,882</u>

During the years ended March 31, 2023 and 2022, net assets with donor restrictions in the amounts of \$1,945,789 and \$2,232,313, respectively, had been expended in accordance with donor restrictions and have been reclassified to net assets without donor restrictions. See Asset Composition in Note 2 Summary of Significant Accounting Policies for more information regarding net assets with donor restrictions.

11 - Retirement Plan

The Church contributes to a 403(b) retirement plan with GuideStone Financial Resources for all full-time employees. The contributions for the years ended March 31, 2023 and 2022 were \$253,947 and \$248,176, respectively.

12 - Leased Properties

The Church leases a portion of its building to a school. The lease agreement was renewed on August 1, 2020 and expires on July 31, 2025. Rental income for the years ended March 31, 2023 and 2022 was \$1,104,779 and \$1,099,995, respectively.