

THE AUSTIN STONE COMMUNITY CHURCH

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT

JULY 31, 2022 AND 2021

# 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

### **Opinion**

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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.

### **Responsibilities of Management for the Combined 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.

In preparing the 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 financial statements are issued.

## **Auditors' Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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.

*Atchley & Associates, LLP*

Austin, Texas

November 21, 2022

THE AUSTIN STONE COMMUNITY CHURCH  
STATEMENTS OF FINANCIAL POSITION  
JULY 31, 2022 AND 2021

	<u>ASSETS</u>	
	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 17,263,417	\$ 15,034,215
Accounts receivable	238,958	227,329
Employee receivables, current portion	235,198	196,017
Prepaid expenses and other assets	<u>174,079</u>	<u>279,779</u>
Total current assets	17,911,652	15,737,340
Employee receivables, net of current portion	351,666	401,667
Other assets	119,167	158,594
Property and equipment, net	<u>52,763,405</u>	<u>52,204,702</u>
Total assets	<u>\$ 71,145,890</u>	<u>\$ 68,502,303</u>

	<u>LIABILITIES AND NET ASSETS</u>	
Current liabilities		
Accounts payable	\$ 1,170,381	\$ 982,089
Notes payable, current portion	<u>919,599</u>	<u>1,099,785</u>
Total current liabilities	2,089,980	2,081,874
Long-term liabilities		
Notes payable, net of current portion	<u>25,782,711</u>	<u>22,551,497</u>
Total long-term liabilities	<u>25,782,711</u>	<u>22,551,497</u>
Total liabilities	<u>27,872,691</u>	<u>24,633,371</u>
Net assets		
Without donor restrictions	39,210,529	39,216,386
With donor restrictions	<u>4,062,670</u>	<u>4,652,546</u>
Total net assets	<u>43,273,199</u>	<u>43,868,932</u>
Total liabilities and net assets	<u>\$ 71,145,890</u>	<u>\$ 68,502,303</u>

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

THE AUSTIN STONE COMMUNITY CHURCH  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JULY 31, 2022 AND 2021

Net assets without restrictions:	2022	2021
Revenues		
Tithes and offerings	\$ 21,696,087	\$ 20,732,773
Program revenue	793,905	646,758
Facility rental	1,175,815	1,097,191
Counseling center	1,052,305	1,092,244
Interest income	34,732	10,257
Debt forgiveness	-	1,736,800
Other revenue	176,093	(7,025)
Total revenues	<u>24,928,937</u>	<u>25,308,998</u>
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>2,278,414</u>	<u>6,014,225</u>
Total revenues without restrictions and reclassifications	<u>27,207,351</u>	<u>31,323,223</u>
Expenses		
Program services		
Congregational programs	8,419,601	7,850,342
Counseling center	1,353,955	1,307,775
Equipping and resources	958,122	907,641
Family ministry	3,008,939	2,058,339
Global mission	2,421,572	2,275,633
Local mission	896,142	1,613,876
Soul care	179,618	144,469
Staff and leader development	638,539	489,307
Worship and creative	4,016,781	3,546,404
Total program expenses	<u>21,893,269</u>	<u>20,193,786</u>
General and administrative	<u>5,319,939</u>	<u>4,748,008</u>
Total expenses	<u>27,213,208</u>	<u>24,941,794</u>
Increase (decrease) in net assets without restrictions	(5,857)	6,381,429
Net assets with restrictions		
Contributions	1,688,538	5,707,901
Net assets released from restrictions	<u>(2,278,414)</u>	<u>(6,014,225)</u>
Increase (decrease) in net assets with restrictions	<u>(589,876)</u>	<u>(306,324)</u>
Change in net assets	(595,733)	6,075,105
Net assets at beginning of year	<u>43,868,932</u>	<u>37,793,827</u>
Net assets at end of year	<u><u>\$ 43,273,199</u></u>	<u><u>\$ 43,868,932</u></u>

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

THE AUSTIN STONE COMMUNITY CHURCH  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JULY 31, 2022

	Program Services	General and Administrative	Totals
Expenses			
Benefits	\$ 1,787,180	\$ 318,532	\$ 2,105,712
Compensation	8,102,406	1,965,437	10,067,843
Contract labor, royalties, and security	1,959,898	82,402	2,042,300
Depreciation	1,575,061	262,542	1,837,603
Facility expense	1,809,927	959,475	2,769,402
Individual support*	1,359,111	245	1,359,356
Insurance	52,914	115,429	168,343
Interest expense	740,435	205,043	945,478
Meetings and development	1,014,712	58,744	1,073,456
Organizational support	373,135	35	373,170
Professional fees	127,038	383,104	510,142
Supplies, software, and fees	2,503,361	905,529	3,408,890
Taxes	108,383	41,948	150,331
Travel	379,708	21,474	401,182
Total expenses	<u>\$ 21,893,269</u>	<u>\$ 5,319,939</u>	<u>\$ 27,213,208</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, 2021

	Program Services	General and Administrative	Totals
Expenses			
Benefits	\$ 1,493,266	\$ 345,336	\$ 1,838,602
Compensation	7,405,631	1,718,027	9,123,658
Contract labor, royalties, and security	1,927,183	34,380	1,961,563
Depreciation	1,544,748	258,429	1,803,177
Facility expense	1,515,923	966,240	2,482,163
Individual support*	1,193,945	2,000	1,195,945
Insurance	88,064	75,113	163,177
Interest expense	764,518	230,366	994,884
Meetings and development	1,475,475	68,859	1,544,334
Organizational support	605,762	-	605,762
Professional fees	140,854	190,657	331,511
Supplies, software, and fees	1,780,744	806,417	2,587,161
Taxes	106,870	46,277	153,147
Travel	150,803	5,907	156,710
Total expenses	<u>\$ 20,193,786</u>	<u>\$ 4,748,008</u>	<u>\$ 24,941,794</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (595,733)	\$ 6,075,105
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Loss/(gain) on sale of property and equipment	6,869	58,229
Debt forgiveness	-	(1,736,800)
Employee loan forgiveness	95,638	-
Depreciation	1,837,603	1,803,177
(Increase) decrease in accounts receivable	(11,629)	(88,986)
(Increase) decrease in employee receivables	(84,818)	87,283
(Increase) decrease in prepaid expenses and other assets	105,700	(82,884)
(Increase) decrease in other assets	39,427	92,460
Increase (decrease) in accounts payable	188,292	334,296
Net cash provided by operating activities	1,581,349	6,541,880
<u>Cash flows from investing activities</u>		
Disbursement on employee loans	-	(200,000)
Collections on employee loans	-	36,666
Purchase of property and equipment	(2,403,175)	(4,975,408)
Net cash used in investing activities	(2,403,175)	(5,138,742)
<u>Cash flows from financing activities</u>		
Payments on capital lease obligations	-	(40,699)
Proceeds from long-term debt	3,948,320	-
Payments on long-term debt	(897,292)	(1,047,630)
Net cash provided by financing activities	3,051,028	(1,088,329)
Increase in cash and cash equivalents	2,229,202	314,809
Cash and cash equivalents - beginning of year	15,034,215	14,719,406
Cash and cash equivalents - end of year	<u>\$ 17,263,417</u>	<u>\$ 15,034,215</u>
<u>Supplemental Disclosure</u>		
Interest paid	<u>\$ 945,478</u>	<u>\$ 994,884</u>

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

THE AUSTIN STONE COMMUNITY CHURCH  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JULY 31, 2022 AND 2021

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  
YEARS ENDED JULY 31, 2022 AND 2021

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

Employee Receivables (Continued)

Employee receivables consisted of the following at July 31:

	<u>2022</u>	<u>2021</u>
Medical reimbursement receivables	\$ 185,198	\$ 146,017
Forgivable loans	<u>401,666</u>	<u>451,667</u>
	<u>\$ 586,864</u>	<u>\$ 597,684</u>

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  
YEARS ENDED JULY 31, 2022 AND 2021

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.

Significant Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The amendments in this ASU revise the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. The amendments in this ASU are effective for fiscal years beginning after December 15, 2021, with early adoption permitted, and should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Early adoption is permitted. Management is currently evaluating the effect of this pronouncement on the financial statements.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is expected to increase transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. The Church adopted the ASU during the year ended July 31, 2022, and applied the ASU retrospectively to the year ended July 31, 2021.

THE AUSTIN STONE COMMUNITY CHURCH  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JULY 31, 2022 AND 2021

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

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 J)

NOTE B - CONCENTRATION OF RISK

The total cash held by the Church at July 31, 2022, includes \$17,479,237 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>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash and cash equivalents	\$17,263,417	\$15,034,215
Accounts receivable	<u>238,958</u>	<u>227,329</u>
Total financial assets at year-end	17,502,375	15,261,544
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>4,062,670</u>	<u>4,652,546</u>
Financial assets available to meet cash needs for general expenditures over the next twelve months	<u><u>\$13,439,705</u></u>	<u><u>\$10,608,998</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 within an elder and partner approved budget and any changes to that budget require pre-approval by one or more elder teams. The Church anticipates only incurring expenses if adequate funds are available to pay for them and 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, 2022 and 2021, had \$1,677,119 and \$1,373,525, respectively, set aside for capital improvements.

THE AUSTIN STONE COMMUNITY CHURCH  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JULY 31, 2022 AND 2021

NOTE D - PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$19,318,787	\$19,318,787
Building	36,006,978	35,529,357
Equipment	3,769,021	3,214,311
Furniture & fixtures	2,012,591	2,022,029
Improvements	774,173	835,444
Construction in progress	1,336,868	286,079
	<u>63,218,418</u>	<u>61,206,007</u>
Less: accumulated depreciation	<u>(10,455,013)</u>	<u>(9,001,305)</u>
Total property and equipment	<u><u>\$52,763,405</u></u>	<u><u>\$52,204,702</u></u>

Depreciation of property and equipment amounted to \$1,837,603 and \$1,803,177 for the years ended July 31, 2022 and 2021, respectively.

NOTE E - LONG-TERM DEBT

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

	<u>2022</u>	<u>2021</u>
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; secured by a deed of trust on the Church's property; principal and interest payments due monthly. The note was refinanced and paid in full on March 23, 2022.	\$ -	\$ 3,710,022
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; secured by a deed of trust on the Church's property; interest and principal payments due monthly. The note was refinanced and paid in full on March 23, 2022.	-	1,879,375
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; secured by the Church's assets; interest and principal payments due monthly. The note was refinanced and paid in full on March 23, 2022.	-	2,106,886

THE AUSTIN STONE COMMUNITY CHURCH  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JULY 31, 2022 AND 2021

NOTE E - LONG-TERM DEBT (Continued)

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; secured by the Church's assets; interest due quarterly and quarterly principal payments of \$96,456 from July 24, 2019 to maturity. The note was refinanced and paid in full on March 23, 2022.

\$ - \$ 9,072,207

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 (2.25% at July 31, 2021); secured by a deed of trust on the Church's property; interest and principal payments due monthly. The note was refinanced and paid in full on March 23, 2022.

- 3,067,059

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; secured by a deed of trust on the Church's property; interest and principal payments due monthly. The note was refinanced and paid in full on March 23, 2022.

- 3,815,733

Note payable to Frost Bank with initial balance of \$27,000,000 and an interest rate of 2.00% above the Daily Simple SOFR rate, adjusted monthly (1.53% at July 31, 2022); secured by a deed of trust on the Church's property; interest and principal payments due monthly. The note matures on March 23, 2032.

<u>26,702,310</u>	<u>-</u>
<u><u>\$26,702,310</u></u>	<u><u>\$23,651,282</u></u>

Interest expense amounted to \$945,478 and \$994,884 for the years ended July 31, 2022 and 2021, 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 terminated on March 23, 2022, in conjunction with the refinancing of the underlying note payables.



THE AUSTIN STONE COMMUNITY CHURCH  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JULY 31, 2022 AND 2021

NOTE E - LONG-TERM DEBT (Continued)

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%. This agreement terminated on March 23, 2022, in conjunction with the refinancing of the underlying note payable.

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 terminated March 23, 2022, in conjunction with the refinancing of the underlying note payable.

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 terminated March 23, 2022, in conjunction with the refinancing of the underlying note payable.

Effective March 23, 2022, the Church entered into an interest rate swap agreement in connection with the \$27,000,000 note payable with Frost Bank. Under the agreement, the Church receives variable rate interest payments, based on the USD-SOFR plus 2.00%, and makes fixed interest rate payments at 3.87% until the agreement terminates March 23, 2032.

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

<u>Year ending July 31,</u>	
2023	\$ 919,599
2024	953,589
2025	994,434
2026	1,034,162
2027	1,075,478
Thereafter	<u>21,725,048</u>
	<u><u>\$26,702,310</u></u>

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



THE AUSTIN STONE COMMUNITY CHURCH  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JULY 31, 2022 AND 2021

NOTE F - NET ASSETS

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

	<u>2022</u>	<u>2021</u>
Missions Fund		
For The Nations Fund	\$ 1,912,978	\$ 1,825,712
Local Mission Fund	689,059	845,373
Mercy Fund	609,630	607,936
Building Fund	<u>851,003</u>	<u>1,373,525</u>
	<u>\$ 4,062,670</u>	<u>\$ 4,652,546</u>

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

	<u>2022</u>	<u>2021</u>
Missions Fund		
For The Nations Fund	\$ 1,250,789	\$ 1,103,276
Local Mission Fund	276,745	273,846
Mercy Fund	100,699	507,854
Building Fund activities	572,522	4,091,011
Austin Stone Institute Fund	<u>77,659</u>	<u>38,238</u>
	<u>\$ 2,278,414</u>	<u>\$ 6,014,225</u>

NOTE G - COMMITMENTS

Leases

The Church leases office space and copier equipment under noncancelable operating leases with terms expiring through July 2029.

The total remaining lease payments under 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>Operating Leases</u>
2023	\$ 2,162,803
2024	1,232,992
2025	1,173,080
2026	1,095,952
2026	1,114,633
Thereafter	<u>3,063,684</u>
	<u>\$ 9,843,144</u>

THE AUSTIN STONE COMMUNITY CHURCH  
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NOTE G - COMMITMENTS (Continued)

Leases (Continued)

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, 2022 and 2021, was \$1,370,729 and \$1,360,707, respectively.

The Church leases excess space to local non-profits whose missions align with the mission of the Church, with terms expiring through May 2026. 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>	
2023	\$ 1,042,354
2024	840,866
2025	751,604
2026	635,682
	<hr/>
	<u>\$ 3,270,506</u>

NOTE H - PERSONNEL EXPENSES

The Church paid salaries and related payroll benefits and taxes in the years ended July 31, 2022 and 2021, in the amount of \$12,173,547 and \$10,434,882, 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 \$406,136 and \$354,523 to the plan for the years ended July 31, 2022 and 2021, respectively.

NOTE I - RELATED PARTIES

The Church provided administrative, human resources, and accounting services for two related parties, For the City Network (FTCN) and its wholly owned subsidiary, Unison Development, LLC (Unison). The Church, in turn, also contracted with these related parties for services including repairs and maintenance of worship facilities. For the year ended July 31, 2021, the Church billed these related parties approximately \$17,386 for these services. For the year ended July 31, 2021, the Church donated to FTCN \$57,000. For the year ended July 31, 2021, the Church paid Unison \$104,086, for facility maintenance work.

In July 2021, FTCN and Unison ceased operations. As part of the dissolution, FTCN and Unison donated remaining cash of \$153,671 and \$21,113, respectively, to the Church.

THE AUSTIN STONE COMMUNITY CHURCH  
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NOTE J - SUBSEQUENT EVENTS

On August 2, 2022, the Church established a construction loan agreement and note with Frost Bank to construct a new worship building. The agreement provides for up to \$13,000,000 at an interest rate of 2.10% above the Daily Simple SOFR rate, adjusted monthly.