

THE AUSTIN STONE COMMUNITY CHURCH

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT

JULY 31, 2023 AND 2022

# THE AUSTIN STONE COMMUNITY CHURCH

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## INDEPENDENT AUDITORS' REPORT

The Austin Stone Community Church  
Austin, Texas

### **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, 2023 and 2022, 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, 2023 and 2022, 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 Auditors' 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.



Austin, Texas  
November 28, 2023

THE AUSTIN STONE COMMUNITY CHURCH  
STATEMENTS OF FINANCIAL POSITION  
JULY 31, 2023 AND 2022

	<u>ASSETS</u>	
	2023	2022
Current assets		
Cash and cash equivalents	\$ 6,742,139	\$ 17,263,417
Accounts receivable	538,710	238,958
Employee receivables, current portion	351,293	235,198
Prepaid expenses and other assets	739,865	174,079
Total current assets	8,372,007	17,911,652
Employee receivables, net of current portion	342,499	351,666
Other assets	255	119,167
Property and equipment, net	73,218,534	52,763,405
Right of use assets	4,649,161	-
Total assets	<u>\$ 86,582,456</u>	<u>\$ 71,145,890</u>

	<u>LIABILITIES AND NET ASSETS</u>	
Current liabilities		
Accounts payable	\$ 3,345,431	\$ 1,170,381
Operating leases, current portion	1,053,498	-
Notes payable, current portion	1,213,589	919,599
Total current liabilities	5,612,518	2,089,980
Long-term liabilities		
Operating leases, net of current portion	6,906,928	-
Notes payable, net of current portion	31,291,769	25,782,711
Total long-term liabilities	38,198,697	25,782,711
Total liabilities	43,811,215	27,872,691
Net assets		
Without donor restrictions	40,192,225	39,210,529
With donor restrictions	2,579,016	4,062,670
Total net assets	42,771,241	43,273,199
Total liabilities and net assets	<u>\$ 86,582,456</u>	<u>\$ 71,145,890</u>

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

THE AUSTIN STONE COMMUNITY CHURCH  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JULY 31, 2023 AND 2022

Net assets without restrictions:	2023	2022
Revenues		
Tithes and offerings	\$ 23,718,908	\$ 21,696,087
Program revenue	1,002,573	793,905
Facility rental	1,221,893	1,175,815
Counseling center	984,979	1,052,305
Interest income	268,127	34,732
Other revenue	87,019	176,093
Total revenues	<u>27,283,499</u>	<u>24,928,937</u>
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>2,593,544</u>	<u>2,278,414</u>
Total revenues without restrictions and reclassifications	<u>29,877,043</u>	<u>27,207,351</u>
Expenses		
Program services		
Congregational programs	9,210,350	8,419,601
Counseling center	1,260,434	1,353,955
Equipping and resources	985,415	958,122
Family ministry	3,694,680	3,008,939
Global mission	2,565,914	2,421,572
Local mission	1,073,156	896,142
Soul care	184,394	179,618
Staff and leader development	572,921	638,539
Worship and creative	3,805,379	4,016,781
Total program expenses	<u>23,352,643</u>	<u>21,893,269</u>
General and administrative	<u>5,542,704</u>	<u>5,319,939</u>
Total expenses	<u>28,895,347</u>	<u>27,213,208</u>
Increase (decrease) in net assets without restrictions	981,696	(5,857)
Net assets with restrictions		
Contributions	1,109,890	1,688,538
Net assets released from restrictions	<u>(2,593,544)</u>	<u>(2,278,414)</u>
Increase (decrease) in net assets with restrictions	<u>(1,483,654)</u>	<u>(589,876)</u>
Change in net assets	(501,958)	(595,733)
Net assets at beginning of year	<u>43,273,199</u>	<u>43,868,932</u>
Net assets at end of year	<u><u>\$ 42,771,241</u></u>	<u><u>\$ 43,273,199</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, 2023

	Program Services	General and Administrative	Totals
Expenses			
Benefits	\$ 1,863,312	\$ 375,025	\$ 2,238,337
Compensation	9,224,695	2,266,951	11,491,646
Contract labor, royalties, and security	1,865,278	53,578	1,918,856
Depreciation	1,621,174	271,940	1,893,114
Facility expense	2,195,034	965,457	3,160,491
Individual support*	1,225,765	6	1,225,771
Insurance	110,630	128,425	239,055
Interest expense	828,567	202,363	1,030,930
Meetings and development	974,861	57,022	1,031,883
Organizational support	391,155	-	391,155
Professional fees	197,951	132,861	330,812
Supplies, software, and fees	2,117,792	930,785	3,048,577
Taxes	100,774	140,039	240,813
Travel	635,655	18,252	653,907
Total expenses	<u>\$ 23,352,643</u>	<u>\$ 5,542,704</u>	<u>\$ 28,895,347</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, 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  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JULY 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (501,958)	\$ (595,733)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Loss/(gain) on disposal of property and equipment	(16,603)	6,869
Operating lease right of use asset expense, net	(69,996)	-
Employee loan forgiveness	54,167	95,638
Depreciation	1,893,114	1,837,603
(Increase) decrease in accounts receivable	(299,752)	(11,629)
(Increase) decrease in employee receivables	(161,095)	(84,818)
(Increase) decrease in prepaid expenses and other assets	(565,786)	105,700
(Increase) decrease in other assets	118,912	39,427
Increase (decrease) in accounts payable	2,175,050	188,292
Net cash provided by operating activities	2,626,053	1,581,349
<u>Cash flows from investing activities</u>		
Proceeds from sale of property and equipment	45,959	-
Purchase of property and equipment	(18,996,338)	(2,403,175)
Net cash used in investing activities	(18,950,379)	(2,403,175)
<u>Cash flows from financing activities</u>		
Proceeds from long-term debt	6,722,647	3,948,320
Payments on long-term debt	(919,599)	(897,292)
Net cash provided by financing activities	5,803,048	3,051,028
Increase in cash and cash equivalents	(10,521,278)	2,229,202
Cash and cash equivalents - beginning of year	17,263,417	15,034,215
Cash and cash equivalents - end of year	<u>\$ 6,742,139</u>	<u>\$ 17,263,417</u>
<u>Supplemental Disclosure</u>		
Interest paid	<u>\$ 1,030,930</u>	<u>\$ 945,478</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, 2023 AND 2022

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-administered, 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, 2023 AND 2022

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

Employee Receivables (Continued)

Employee receivables consisted of the following at July 31:

	<u>2023</u>	<u>2022</u>
Medical reimbursement receivables	\$ 296,293	\$ 185,198
Forgivable loans	<u>397,499</u>	<u>401,666</u>
	<u>\$ 693,792</u>	<u>\$ 586,864</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, 2023 AND 2022

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

Effective August 1, 2022, the Church adopted the new lease accounting guidance in Financial Accounting Standard Board (FASB) Accounting Standards Update 2016-02, *Leases (Topic 842)*. The Church has elected the package of practical expedients permitted in FASB ASC Topic 842. Accordingly, the Church accounting for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of August 1, 2022) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the new lease accounting guidance, the Church recognized on August 1, 2022 (the beginning of the period of adoption) (a) lease liabilities of \$994,733, which represents the present value of the remaining lease payments, discounted using a risk-free interest rate ranging between 2.16% and 3.85%, and (b) right of use assets of \$971,096, which represents the lease liability of \$994,733 adjusted for deferred rent of \$23,637.

THE AUSTIN STONE COMMUNITY CHURCH  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JULY 31, 2023 AND 2022

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.

NOTE B - CONCENTRATION OF RISK

The total cash held by the Church at July 31, 2023, includes \$2,152,129 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>2023</u>	<u>2022</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 6,742,139	\$17,263,417
Accounts receivable	<u>538,710</u>	<u>238,958</u>
Total financial assets at year-end	7,280,849	17,502,375
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>2,579,016</u>	<u>4,062,670</u>
Financial assets available to meet cash needs for general expenditures over the next twelve months	<u><u>\$ 4,701,833</u></u>	<u><u>\$13,439,705</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 \$500,000 reserve for its self-administered health plan, and, as of July 31, 2023 and 2022, had \$1,218,028 and \$1,677,119, respectively, set aside for capital improvements.

THE AUSTIN STONE COMMUNITY CHURCH  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JULY 31, 2023 AND 2022

NOTE D - PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Land	\$19,318,787	\$19,318,787
Building	39,909,697	36,006,978
Equipment	3,825,934	3,769,021
Furniture & fixtures	2,765,808	2,012,591
Improvements	5,461,987	774,173
Construction in progress	13,964,548	1,336,868
	<u>85,246,761</u>	<u>63,218,418</u>
Less: accumulated depreciation	<u>(12,028,227)</u>	<u>(10,455,013)</u>
Total property and equipment	<u><u>\$73,218,534</u></u>	<u><u>\$52,763,405</u></u>

Depreciation of property and equipment amounted to \$1,893,114 and \$1,837,603 for the years ended July 31, 2023 and 2022, respectively.

NOTE E - LONG-TERM DEBT

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

	<u>2023</u>	<u>2022</u>
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 (5.31% at July 31, 2023); secured by a deed of trust on the Church's property; interest and principal payments due monthly. The note matures on March 23, 2032.	\$25,782,711	\$26,702,310
Construction note payable to Frost Bank which provides for up to \$13,000,000 at an interest rate of 2.10% above the Daily Simple SOFR rate, adjusted monthly (5.31% at July 31, 2023). The note is secured by real and personal property. The note matures on July 28, 2032.	6,722,647	-
	<u><u>\$32,505,358</u></u>	<u><u>\$26,702,310</u></u>

Interest expense less capitalized interest amounted to \$1,030,930 and \$945,478 for the years ended July 31, 2023 and 2022, respectively. Interest paid on loans related to constructing property, plant, and equipment that was capitalized for the years ended July 31, 2023 and 2022, totaled \$133,793 and \$0, respectively.

THE AUSTIN STONE COMMUNITY CHURCH  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JULY 31, 2023 AND 2022

NOTE E - LONG-TERM DEBT (Continued)

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>	
2024	\$ 1,213,589
2025	1,514,434
2026	1,554,162
2027	1,595,478
2028	1,636,148
Thereafter	<u>24,991,547</u>
	<u><u>\$32,505,358</u></u>

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

NOTE F - NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Missions Fund		
For The Nations Fund	\$ 1,371,582	\$ 1,912,978
Local Mission Fund	647,321	689,059
Mercy Fund	498,138	609,630
Building Fund	<u>61,975</u>	<u>851,003</u>
	<u><u>\$ 2,579,016</u></u>	<u><u>\$ 4,062,670</u></u>

THE AUSTIN STONE COMMUNITY CHURCH  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JULY 31, 2023 AND 2022

NOTE F - NET ASSETS (Continued)

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

	<u>2023</u>	<u>2022</u>
Missions Fund		
For The Nations Fund	\$ 1,456,341	\$ 1,250,789
Local Mission Fund	65,066	276,745
Mercy Fund	225,591	100,699
Building Fund activities	789,028	572,522
Austin Stone Institute Fund	<u>57,518</u>	<u>77,659</u>
	<u>\$ 2,593,544</u>	<u>\$ 2,278,414</u>

NOTE G - COMMITMENTS

Leases

The Church leases office space and copier equipment under noncancelable operating leases with terms expiring through July 2029. The leases provide for increases in future minimum annual rental payments and the payment for operating costs such as real estate taxes, insurance, and repairs. The lease expense components were as follows:

	<u>2023</u>
Operating lease cost:	
Amortization of right of use asset	\$ 815,916
Operational cost sharing	<u>239,605</u>
Total operating lease cost	<u>\$ 1,055,521</u>

Other information:

Weighted average discount rate	2.85%
Weighted average remaining lease term (in years)	7.04
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 5,060,243
Current lease liability	\$ 1,053,498
Long - term lease liability	<u>6,906,928</u>
	<u>\$ 7,960,426</u>



THE AUSTIN STONE COMMUNITY CHURCH  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JULY 31, 2023 AND 2022

NOTE G - COMMITMENTS (Continued)

Leases (Continued)

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>
2024	\$ 1,263,980
2025	1,256,075
2026	1,277,754
2027	1,299,284
2028	1,315,677
Thereafter	2,423,737
	<u><u>\$ 8,836,507</u></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, 2023 and 2022, was \$1,694,415 and \$1,370,729, respectively.

The Church leases excess space to local non-profits whose missions align with the mission of the Church, with terms expiring through July 2025. 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>	
2024	\$ 1,129,497
2025	47,791
	<u><u>\$ 1,177,288</u></u>

NOTE H - PERSONNEL EXPENSES

The Church paid salaries and related payroll benefits and taxes in the years ended July 31, 2023 and 2022, in the amount of \$13,729,983 and \$12,173,547, 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 \$480,503 and \$406,136 to the plan for the years ended July 31, 2023 and 2022, respectively.