

# WEST HOUSTON CHINESE CHURCH

Financial Statements  
With Independent Accountants' Review Report

December 31, 2019

# WEST HOUSTON CHINESE CHURCH

## Table of Contents

	<u>Page</u>
Independent Accountants' Review Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Church Council  
West Houston Chinese Church  
Houston, Texas

We have reviewed the accompanying financial statements of West Houston Chinese Church, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of West Houston Chinese Church's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement whether due to fraud or error.

### *Accountants' Responsibility*

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### *Accountants' Conclusion*

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Grapevine, Texas  
July 17, 2020

# WEST HOUSTON CHINESE CHURCH

## Statement of Financial Position

December 31, 2019

### ASSETS:

Cash and cash equivalents	\$ 1,689,067
Investments	37,485
Prepaid expenses and other assets	4,901
Property, plant, and equipment–net	<u>5,173,206</u>

Total Assets	<u><u>\$ 6,904,659</u></u>
--------------	----------------------------

### LIABILITIES AND NET ASSETS:

#### Liabilities:

Accounts payable and other liabilities	<u>\$ 104,602</u>
--	-------------------

#### Net assets:

Net assets without donor restrictions	6,702,315
Net assets with donor restrictions	<u>97,742</u>
	<u><u>6,800,057</u></u>

Total Liabilities and Net Assets	<u><u>\$ 6,904,659</u></u>
----------------------------------	----------------------------

See accompanying notes and independent accountants' review report

# WEST HOUSTON CHINESE CHURCH

## Statement of Activities

Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT, REVENUE, AND RECLASSIFICATIONS:			
Contributions	\$ 2,551,459	\$ 186,733	\$ 2,738,192
Other income	195,826	-	195,826
Net assets released from restrictions	<u>357,991</u>	<u>(357,991)</u>	<u>-</u>
Total Support, Revenue, and Reclassifications	<u>3,105,276</u>	<u>(171,258)</u>	<u>2,934,018</u>
EXPENSES:			
Program services:			
Church activities	2,559,905	-	2,559,905
Supporting activities:			
General and administrative	<u>459,191</u>	<u>-</u>	<u>459,191</u>
Total Expenses	<u>3,019,096</u>	<u>-</u>	<u>3,019,096</u>
Change in Net Assets	86,180	(171,258)	(85,078)
Net Assets, Beginning of Year	<u>6,616,135</u>	<u>269,000</u>	<u>6,885,135</u>
Net Assets, End of Year	<u>\$ 6,702,315</u>	<u>\$ 97,742</u>	<u>\$ 6,800,057</u>

See accompanying notes and independent accountants' review report

# WEST HOUSTON CHINESE CHURCH

## Statements of Cash Flows

Year Ended December 31, 2019

### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (85,078)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	299,533
Unrealized gain on investments	(10,700)
Changes in operating assets and liabilities:	
Contribution receivable	200,000
Prepaid expenses and other assets	(4,411)
Accounts payable and other liabilities	24,212
Net Cash Provided by Operating Activities	<u>423,556</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property, plant, and equipment	<u>(124,127)</u>
Net Cash Used by Investing Activities	<u>(124,127)</u>

Change in Cash and Cash Equivalents 299,429

Cash and Cash Equivalents, Beginning of Year 1,389,638

Cash and Cash Equivalents, End of Year \$ 1,689,067

See accompanying notes and independent accountants' review report

# WEST HOUSTON CHINESE CHURCH

## Notes to Financial Statements

December 31, 2019

1. NATURE OF ORGANIZATION:

West Houston Chinese Church (the Church) is a church that exists to proclaim hope and share grace for life transformation in Christ.

The Church is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), and is also exempt from state income taxes. Contributions by the public are deductible for income tax purposes. The Church has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code.

The Church's primary source of support is contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Church maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). 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, disclosures of any contingent 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. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in banks and highly liquid investments with original maturities of three months or less. As of December 31, 2019, the cash accounts maintained exceeded federally insured limits by approximately \$1,118,000. The Church has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

### INVESTMENTS AND FAIR VALUE

The Church's investment portfolio consists of mutual funds which are carried at fair value. Gains and losses on investments are recorded in the statement of activities as increases in net assets without donor restrictions, unless their use is restricted by donor stipulation. Donated investments are recorded at fair value at the date of donation.

The Church follows accounting standards which establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), moderate priority to assets with other observable inputs (Level 2) and the lowest priority to unobservable inputs (Level 3 measurements). All investments of the Church as of December 31, 2019 consists of mutual funds, whose value may be established by quoted market prices in an active market for identical assets and is therefore classifies as Level 1. The Church did not have any Level 2 or Level 3 valued investments at December 31, 2019.

# WEST HOUSTON CHINESE CHURCH

## Notes to Financial Statements

December 31, 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### PROPERTY, PLANT, AND EQUIPMENT—NET

Property and equipment are recorded at cost, or if donated, at estimated fair market value on the date of the gift. Expenditures for property and equipment greater than \$500 are capitalized at cost. Donated items are recorded at fair market value on the date of the gift. Costs of maintenance and repairs are charged to expense as incurred. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in other income for the period. Depreciation is computed on the straight line method over the estimated useful lives of the assets as follows:

Buildings and building improvements	10-30 years
Furniture, equipment, and vehicles	3-7 years

#### CLASSES OF NET ASSETS

The financial statements report amounts by class of net assets:

*Net assets without donor restrictions* are those currently available for use in ministries under the direction of the Church Council.

*Net assets with donor restrictions* are those stipulated by donors for specific operating purposes or those not currently available for use until commitments regarding their use have been fulfilled.

#### SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. All contributions are considered available for general use unless specifically restricted by the donor. Noncash contributions are recorded at the estimated fair value on the date of donation.

Other income consists primarily of event revenue for the Church which is earned when the event occurs and income from a related church as described in Note 8.

#### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs such as depreciation and salaries have been allocated among the program and services and supporting activities benefited. Depreciation is allocated based on square footage. Costs of payroll, taxes and employee benefits were allocated on estimates of time and effort.



# WEST HOUSTON CHINESE CHURCH

## Notes to Financial Statements

December 31, 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### RECENTLY ISSUED ACCOUNTING STANDARDS

In 2018, FASB issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958)–Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Church adopted the provisions of this new standard as a resource recipient in the current year. The ASU did not have a material effect on the financial statements.

### 3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Church's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets:	
Cash and cash equivalents	\$ 1,689,067
Less those not available for general expenditures within one year:	
Restricted for purpose	(97,742)
	<u>(97,742)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,591,325</u>

As part of the Church's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

### 4. PROPERTY, PLANT, AND EQUIPMENT–NET:

Property, plant, and equipment–net consists of the following:

Land	\$ 1,739,068
Buildings and building improvements	7,198,018
Furniture and fixtures	274,942
Equipment	870,304
Vehicle	130,504
	<u>10,212,836</u>
Less accumulated depreciation	<u>(5,039,630)</u>
	<u>\$ 5,173,206</u>

# WEST HOUSTON CHINESE CHURCH

## Notes to Financial Statements

December 31, 2019

5. FUNCTIONAL ALLOCATION OF EXPENSES:

Expenses have been allocated as follows:

	Program	General and Administrative	Total
Salaries and wages	\$ 1,090,574	\$ 213,457	\$ 1,304,031
Depreciation	239,626	59,907	299,533
Assets granted to NHCCW (Note 8)	283,919	-	283,919
Mission grants	272,426	-	272,426
Contract labor	183,308	40,595	223,903
Ministry supplies	114,850	9,823	124,673
Equipment	22,444	18,525	40,969
Utilities	67,986	14,860	82,846
Other	14,555	55,448	70,003
Professional fees	37,390	30,821	68,211
Printing, postage and office supplies	30,420	12,315	42,735
Benevolence	58,663	-	58,663
Rent	55,892	-	55,892
Repairs and maintenance	44,537	3,440	47,977
Travel	43,315	-	43,315
	\$ 2,559,905	\$ 459,191	\$ 3,019,096

6. RETIREMENT PLAN:

The Church has a defined contribution retirement plan that qualifies under Internal Revenue Code Section 403(b). All employees may participate through voluntary salary reductions. The Church makes an annual contribution of 5% of annual salary with a minimum of \$2,000 per person per year for each full-time staff member. Employer contributions for the year ended December 31, 2019 was \$31,721.

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following:

Benevolence	\$ 60,996
Missions	27,492
Other	9,254
	\$ 97,742

# WEST HOUSTON CHINESE CHURCH

## Notes to Financial Statements

December 31, 2019

8. CHURCH SPINOFF:

In September 2019, a church plant of the Church became a separate legal entity under its own governance and leadership. As part of this transition, the Church released an accumulated fund balance and the associated bank account balance of approximately \$284,000 to the newly established church, New Hope Christian Church Woodlands (NHCCW). The grant expense is included as part of church program expenses on the statement of activities. As part of the building purchase agreement in 2017, NHCCW continues to use facilities owned by the Church and has agreed to pay the Church monthly installments of \$8,333 for ten years starting in 2017 and ending in 2027. These payments for use of the facilities have been designated to the Church's church planting efforts.

For the period of September 2019 to December 2019, the Church recognized approximately \$33,000 revenue designated for church planting resulting from use of the facilities from NHCC which is reflected in other income on the statement of activities.

9. RELATED PARTY TRANSACTIONS:

During the year ended December 31, 2019, contributions by Church council members totaled approximately \$209,000

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through July 17, 2020, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus as a "Public Health Emergency of International Concern," ultimately classifying the resulting COVID-19 as a pandemic. Federal, state, and local governments have mandated various restrictions, including travel restrictions, restrictions on public gatherings, stay at home advisories, and quarantining of people who may have been exposed to the virus.

The duration of disruption and related impact cannot be reasonably estimated at this time. The Church is monitoring receipts and essential ministry expenditures. Expenditures are being reduced as necessary. Management believes that they have responded to the pandemic in a manner which will allow them to continue all of their programs when the pandemic is over.