

WEST HOUSTON CHINESE CHURCH

Financial Statements
With Independent Accountants' Review Report

December 31, 2020 and 2019

WEST HOUSTON CHINESE CHURCH

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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 statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the years 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
May 25, 2021

WEST HOUSTON CHINESE CHURCH

Statements of Financial Position

	December 31,	
	<u>2020</u>	<u>2019</u>
ASSETS:		
Cash and cash equivalents	\$ 1,749,860	\$ 1,484,683
Investments	272,043	241,869
Prepaid expenses and other assets	2,305	4,901
Property, plant, and equipment–net	<u>4,948,511</u>	<u>5,173,206</u>
Total Assets	<u>\$ 6,972,719</u>	<u>\$ 6,904,659</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other liabilities	<u>\$ 129,075</u>	<u>\$ 104,602</u>
Net assets:		
Net assets without donor restrictions	6,771,059	6,702,315
Net assets with donor restrictions	<u>72,585</u>	<u>97,742</u>
	<u>6,843,644</u>	<u>6,800,057</u>
Total Liabilities and Net Assets	<u>\$ 6,972,719</u>	<u>\$ 6,904,659</u>

See accompanying notes and independent accountants' review report

WEST HOUSTON CHINESE CHURCH

Statements of Activities

	Years Ended December, 31					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 2,299,386	\$ 60,550	\$ 2,359,936	\$ 2,551,459	\$ 186,733	\$ 2,738,192
Rental income	100,001	-	100,001	33,332	-	33,332
Other income	74,797	-	74,797	162,494	-	162,494
Net assets released from restrictions	85,707	(85,707)	-	357,991	(357,991)	-
Total Support, Revenue, and Reclassifications	2,559,891	(25,157)	2,534,734	3,105,276	(171,258)	2,934,018
EXPENSES:						
Program services:						
Church activities	2,148,614	-	2,148,614	2,559,905	-	2,559,905
Supporting activities:						
General and administrative	342,533	-	342,533	459,191	-	459,191
Total Expenses	2,491,147	-	2,491,147	3,019,096	-	3,019,096
Change in Net Assets	68,744	(25,157)	43,587	86,180	(171,258)	(85,078)
Net Assets, Beginning of Year	6,702,315	97,742	6,800,057	6,616,135	269,000	6,885,135
Net Assets, End of Year	\$ 6,771,059	\$ 72,585	\$ 6,843,644	\$ 6,702,315	\$ 97,742	\$ 6,800,057

See accompanying notes and independent accountants' review report

WEST HOUSTON CHINESE CHURCH

Statements of Cash Flows

	Year Ended December 31,	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 43,587	\$ (85,078)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	296,215	299,533
Unrealized gain on investments	(30,174)	(12,624)
Changes in operating assets and liabilities:		
Contribution receivable	-	200,000
Prepaid expenses and other assets	2,596	(4,411)
Accounts payable and other liabilities	24,473	24,212
Net Cash Provided by Operating Activities	<u>336,697</u>	<u>421,632</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	<u>(71,520)</u>	<u>(124,127)</u>
Net Cash Used by Investing Activities	<u>(71,520)</u>	<u>(124,127)</u>
Change in Cash and Cash Equivalents	265,177	297,505
Cash and Cash Equivalents, Beginning of Year	<u>1,484,683</u>	<u>1,187,178</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,749,860</u>	<u>\$ 1,484,683</u>

See accompanying notes and independent accountants' review report

WEST HOUSTON CHINESE CHURCH

Notes to Financial Statements

December 31, 2020 and 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, 2020 and 2019, the cash accounts maintained exceeded federally insured limits by approximately \$1,048,000 and \$1,118,000, respectively. 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 and certificates of deposits which are carried at fair value. Gains and losses on investments are recorded in the statements 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, 2020 and 2019, consists of mutual funds, whose value may be established by quoted market prices in an active market for identical assets and is therefore classified as Level 1. The Church did not have any Level 2 or Level 3 valued investments at December 31, 2020 and 2019.

WEST HOUSTON CHINESE CHURCH

Notes to Financial Statements

December 31, 2020 and 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 statements 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.

WEST HOUSTON CHINESE CHURCH

Notes to Financial Statements

December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, continued

Rental income consists of funds received from New Hope Christian Church Woodlands (NHCCW) for the use of their church facility. Rental income is recorded when the services are provided to NHCCW. See further information in Note 8.

Other income consists primarily of event revenue for the Church which is earned when the event occurs.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing programs and other activities have been summarized on a functional basis in the statements 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.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Church's financial assets as of the statements 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.

	December 31,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 1,749,860	\$ 1,484,683
Less those not available for general expenditures within one year:		
Restricted for purpose	(72,585)	(97,742)
	<u>(72,585)</u>	<u>(97,742)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,677,275</u>	<u>\$ 1,386,941</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.

WEST HOUSTON CHINESE CHURCH

Notes to Financial Statements

December 31, 2020 and 2019

4. PROPERTY, PLANT, AND EQUIPMENT—NET:

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

	December 31,	
	2020	2019
Land	\$ 1,739,068	\$ 1,739,068
Buildings and building improvements	7,206,680	7,198,018
Furniture and fixtures	274,942	274,942
Equipment	902,713	870,304
Vehicle	130,504	130,504
	10,253,907	10,212,836
Less accumulated depreciation	(5,325,137)	(5,039,630)
	4,928,770	5,173,206
Construction in progress	19,741	-
	\$ 4,948,511	\$ 5,173,206

5. FUNCTIONAL ALLOCATION OF EXPENSES:

The natural classification of expenses is recorded as follows as of the year ended December 31, 2020:

	Program	General and Administrative	Total
Salaries and wages	\$ 1,142,181	\$ 129,791	\$ 1,271,972
Depreciation	236,972	59,243	296,215
Missions grants	282,004	-	282,004
Contract labor	125,914	4,208	130,122
Professional fees	55,025	55,033	110,058
Ministry supplies	72,183	-	72,183
Utilities	51,885	18,350	70,235
Repairs and maintenance	51,759	4,577	56,336
Equipment lease	47,818	-	47,818
Printing, postage, and office supplies	24,211	6,821	31,032
Insurance	-	38,070	38,070
Benevolence grants	28,683	-	28,683
Equipment	25,046	1,139	26,185
Other	745	25,301	26,046
Travel	4,188	-	4,188
	\$ 2,148,614	\$ 342,533	\$ 2,491,147

WEST HOUSTON CHINESE CHURCH

Notes to Financial Statements

December 31, 2020 and 2019

5. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

The natural classification of expenses is recorded as follows as of the year ended December 31, 2019:

	Program	General and Administrative	Total
Salaries and wages	\$ 1,090,574	\$ 180,562	\$ 1,271,136
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 grants	58,663	-	58,663
Equipment lease	55,892	-	55,892
Repairs and maintenance	44,537	3,440	47,977
Travel	43,315	-	43,315
Insurance	-	32,895	32,895
	\$ 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 years ended December 31, 2020 and 2019, were \$73,472 and \$31,721, respectively.

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following:

	December 31,	
	2020	2019
Benevolence	\$ 58,641	\$ 60,996
Other	13,944	9,254
Missions	-	27,492
	\$ 72,585	\$ 97,742

WEST HOUSTON CHINESE CHURCH

Notes to Financial Statements

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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 was included as part of church program expenses on the statements of activities during the year ended December 31, 2019. 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 \$33,332 of revenue designated for church planting resulting from use of the facilities from NHCCW which is reflected in rental income on the statements of activities. During the year ended December 31, 2020, the Church received \$100,001 in rental income from NHCCW.

9. RELATED PARTY TRANSACTIONS:

During the year ended December 31, 2020 and 2019, contributions by Church council members totaled approximately \$210,000 and \$209,000, respectively.

10. RISKS AND UNCERTAINTIES:

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.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through May 25, 2021, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.