

WEST HOUSTON CHINESE CHURCH

Financial Statements
With Independent Accountants' Review Report

December 31, 2021 and 2020

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, 2021 and 2020, 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

Irving, Texas
July 29, 2022

WEST HOUSTON CHINESE CHURCH

Statements of Financial Position

	December 31,	
	<u>2021</u>	<u>2020</u>
ASSETS:		
Cash and cash equivalents	\$ 1,676,245	\$ 1,749,860
Investments	70,072	272,043
Prepaid expenses and other assets	7,407	2,305
Property, plant, and equipment–net	<u>5,140,003</u>	<u>4,948,511</u>
Total Assets	<u>\$ 6,893,727</u>	<u>\$ 6,972,719</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other liabilities	<u>\$ 177,326</u>	<u>\$ 129,075</u>
Net assets:		
Net assets without donor restrictions	6,653,363	6,771,059
Net assets with donor restrictions	<u>63,038</u>	<u>72,585</u>
Total net assets	<u>6,716,401</u>	<u>6,843,644</u>
Total Liabilities and Net Assets	<u>\$ 6,893,727</u>	<u>\$ 6,972,719</u>

See accompanying notes and independent accountants' review report

WEST HOUSTON CHINESE CHURCH

Statements of Activities

	Years Ended December 31,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 2,365,849	\$ 70,875	\$ 2,436,724	\$ 2,299,386	\$ 60,550	\$ 2,359,936
Rental income	100,000	-	100,000	100,001	-	100,001
Gain on insurance proceeds	129,543	-	129,543	-	-	-
Other income	44,410	-	44,410	74,797	-	74,797
Net assets released from restrictions	80,422	(80,422)	-	85,707	(85,707)	-
Total Support, Revenue, and Reclassifications	2,720,224	(9,547)	2,710,677	2,559,891	(25,157)	2,534,734
EXPENSES:						
Program services:						
Church activities	2,455,580	-	2,455,580	2,148,614	-	2,148,614
Supporting activities:						
General and administrative	382,340	-	382,340	342,533	-	342,533
Total Expenses	2,837,920	-	2,837,920	2,491,147	-	2,491,147
Change in Net Assets	(117,696)	(9,547)	(127,243)	68,744	(25,157)	43,587
Net Assets, Beginning of Year	6,771,059	72,585	6,843,644	6,702,315	97,742	6,800,057
Net Assets, End of Year	\$ 6,653,363	\$ 63,038	\$ 6,716,401	\$ 6,771,059	\$ 72,585	\$ 6,843,644

See accompanying notes and independent accountants' review report

WEST HOUSTON CHINESE CHURCH

Statements of Cash Flows

	Year Ended December 31,	
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (127,243)	\$ 43,587
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	336,448	296,215
Insurance proceeds in excess of loss	(129,543)	-
Unrealized gain on investments	(7,026)	(30,174)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(5,102)	2,596
Accounts payable and other liabilities	48,251	24,473
Net Cash Provided by Operating Activities	<u>115,785</u>	<u>336,697</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	208,997	-
Insurance proceeds for property and equipment	170,620	-
Purchases of property, plant, and equipment	(569,017)	(71,520)
Net Cash Used by Investing Activities	<u>(189,400)</u>	<u>(71,520)</u>
Change in Cash and Cash Equivalents	(73,615)	265,177
Cash and Cash Equivalents, Beginning of Year	<u>1,749,860</u>	<u>1,484,683</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,676,245</u>	<u>\$ 1,749,860</u>

See accompanying notes and independent accountants' review report

WEST HOUSTON CHINESE CHURCH

Notes to Financial Statements

December 31, 2021 and 2020

1. NATURE OF ORGANIZATION:

West Houston Chinese Church (the Church) is a church that exists to glorify God and make disciples by welcoming sojourners home to the joy of following Jesus together.

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 money market accounts. As of December 31, 2021 and 2020, the cash accounts maintained exceeded federally insured limits by approximately \$1,307,000 and \$1,048,000, 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, 2021 and 2020, 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, 2021 and 2020.

WEST HOUSTON CHINESE CHURCH

Notes to Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020

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 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 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.

	December 31,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 1,676,245	\$ 1,749,860
Less those not available for general expenditures within one year:		
Restricted for purpose	(63,038)	(72,585)
	<u>(63,038)</u>	<u>(72,585)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,613,207</u>	<u>\$ 1,677,275</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, 2021 and 2020

4. PROPERTY, PLANT, AND EQUIPMENT—NET:

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

	December 31,	
	2021	2020
Land	\$ 1,739,068	\$ 1,739,068
Buildings and building improvements	7,704,579	7,206,680
Furniture and fixtures	240,286	212,234
Equipment	970,313	965,421
Vehicle	130,504	130,504
	10,784,750	10,253,907
Less accumulated depreciation	(5,644,747)	(5,325,137)
	5,140,003	4,928,770
Construction in progress	-	19,741
	\$ 5,140,003	\$ 4,948,511

5. FUNCTIONAL ALLOCATION OF EXPENSES:

The natural classification of expenses is recorded as follows as of the year ended December 31, 2021:

	Program	General and Administrative	Total
Salaries and benefits	\$ 1,222,397	\$ 141,492	\$ 1,363,889
Depreciation	269,158	67,290	336,448
Missions grants	302,319	-	302,319
Repairs and maintenance	223,362	8,488	231,850
Ministry supplies	127,414	-	127,414
Printing, posting, and office supplies	57,744	51,940	109,684
Contract labor	97,578	3,209	100,787
Benevolence	63,034	-	63,034
Utilities	54,919	5,124	60,043
Professional fees	1,037	55,838	56,875
Insurance	-	48,959	48,959
Equipment	27,148	-	27,148
Travel	9,470	-	9,470
	\$ 2,455,580	\$ 382,340	\$ 2,837,920

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Notes to Financial Statements

December 31, 2021 and 2020

5. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

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

	Program	General and Administrative	Total
Salaries and benefits	\$ 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
Equipment	72,864	1,139	74,003
Ministry supplies	72,183	-	72,183
Utilities	51,885	18,350	70,235
Repairs and maintenance	51,759	4,577	56,336
Insurance	-	38,070	38,070
Printing, postage, and office supplies	24,211	6,821	31,032
Benevolence grants	28,683	-	28,683
Other	745	25,301	26,046
Travel	4,188	-	4,188
	\$ 2,148,614	\$ 342,533	\$ 2,491,147

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, 2021 and 2020, were \$37,237 and \$73,472, respectively.

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following:

	December 31,	
	2021	2020
Benevolence	\$ 39,380	\$ 58,641
Other	23,658	13,944
	\$ 63,038	\$ 72,585

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Notes to Financial Statements

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8. CHURCH PLANT INDEPENDENCE:

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). 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.

During the years ended December 31, 2021 and 2020, the Church received \$100,000 and \$100,001, respectively, in rental income from NHCCW.

9. RELATED PARTY TRANSACTIONS:

During the years ended December 31, 2021 and 2020, contributions by Church council members totaled approximately \$235,000 and \$210,000, 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 July 29, 2022, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.