STONEBRIAR COMMUNITY CHURCH

Frisco, Texas

Financial Statements

Year Ended June 30, 2018

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Financial Statements
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INDEPENDENT AUDITORS' REPORT

To the Board of Elders
Stonebriar Community Church
Frisco, Texas

We have audited the accompanying financial statements of Stonebriar Community Church (a Texas nonprofit corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Church's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stonebriar Community Church as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PSK LLP

Arlington, Texas
September 14, 2018

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STONEBRIAR COMMUNITY CHURCH
Statement of Financial Position
June 30, 2018

ASSETS

Cash	$ 8,946,102
Accounts receivable	19,970
Prepaid expenses	146,675
Investments	8,000,005
Property and equipment, net	42,967,236
Other assets	3,408
Total assets	$ 60,083,396

LIABILITIES AND NET ASSETS

Accounts payable	$ 9,120
Accrued expenses	294,126
Note payable	16,652,150
Total liabilities	16,955,396
Net assets	
Unrestricted	
Undesignated	27,336,398
Board designated	13,838,968
Total unrestricted	41,175,366
Temporarily restricted	1,952,634
Total net assets	43,128,000
Total liabilities and net assets	$ 60,083,396

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

STONEBRIAR COMMUNITY CHURCH

Statement of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support			
Contributions	$ 14,192,155	$ 1,459,424	$ 15,651,579
Program service fees	291,866	-	291,866
Preschool Pals tuition	777,796	-	777,796
Investment income	152,682	-	152,682
Net assets released from restrictions	1,594,428	(1,594,428)	-
Total revenues, gains and other support	17,008,927	(135,004)	16,873,923
Program expenses			
Leadership team	750,268	-	750,268
Connecting and equipping	1,343,702	-	1,343,702
Children's ministry	2,342,549	-	2,342,549
Leader development	90,541	-	90,541
Hispanic ministry	468,581	-	468,581
Missions ministry	810,033	-	810,033
Care ministry	1,193,003	-	1,193,003
Benevolence	152,030	-	152,030
Music ministry	1,209,837	-	1,209,837
Student ministry	766,409	-	766,409
Total program expenses	9,126,953	-	9,126,953
Supporting services			
Resource ministry	4,765,174	-	4,765,174
Debt service	1,163,870	-	1,163,870
Depreciation	1,471,060	-	1,471,060
Other	127,595	-	127,595
Total supporting services	7,527,699	-	7,527,699
Total expenses	16,654,652	-	16,654,652
Change in net assets	354,275	(135,004)	219,271
Net assets at beginning of year	40,821,091	2,087,638	42,908,729
Net assets at end of year	$ 41,175,366	$ 1,952,634	$ 43,128,000

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

STONEBRIAR COMMUNITY CHURCH

Statement of Cash Flows

Year Ended June 30, 2018

Cash Flows From Operating Activities:	
Change in net assets	$ 219,271
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,471,060
Noncash contribution of common stock	(281,592)
Net realized gain on sale of donated common stock	(2,949)
Contributions restricted for debt reduction and building costs	(284,690)
(Increase) decrease in assets:	
Accounts receivable	3,820
Prepaid expenses	7,643
Other assets	(3,303)
Increase (decrease) in liabilities:	
Accounts payable	(3,487)
Accrued expenses	(7,337)
Net cash provided by operating activities	1,118,436
Cash Flows From Investing Activities:	
Proceeds from sale of donated common stock	284,541
Proceeds from maturities of investments	8,468,044
Purchases of investments	(4,500,000)
Interest income reinvested	(2,363)
Purchases of property and equipment	(30,109)
Net cash provided by investing activities	4,220,113
Cash Flows From Financing Activities:	
Payments on note payable	(554,242)
Contributions restricted for debt reduction and building costs	284,690
Net cash used in financing activities	(269,552)
Change in cash	5,068,997
Cash at beginning of year	3,877,105
Cash at end of year	$ 8,946,102
Supplemental Cash Flow Information:	
Cash paid for interest	$ 1,163,870

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

STONEBRIAR COMMUNITY CHURCH
Notes to Financial Statements

1 - Historical Background

Stonebriar Community Church (the "Church") is a Texas nonprofit corporation located in Frisco, Texas. The Church was formed to promote Jesus Christ, the Son of God, as Lord and Savior to all who will acknowledge and trust Him and to teach and preach the Holy Bible as the inspired Word of God and propagate the Christian faith, beliefs, and practices.

The Church is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code as other than a private foundation.

2 - Significant Accounting Policies

Basis of Accounting - The financial statements of the Church have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the obligation is incurred. The financial statements of the Church have been prepared using accounting principles generally accepted in the United States of America.

Basis of Presentation - As required by the Not-for-Profit Entities Classification of Net Assets topic of the Financial Accounting Standards Board *Accounting Standards Codification* ("FASB ASC"), the Church reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue Recognition - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Use of Estimates - Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Functional Allocation of Expenses - The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Revenues and Support - Revenues and support for the Church are primarily derived from unrestricted contributions from the Church membership.

Donated Services - No amounts have been reflected in the financial statements for donated services. The Church pays for most services requiring specific expertise. A large number of people have contributed significant amounts of time to the activities of the Church without compensation. The financial statements do not reflect the value of those contributed services.

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Compensated Absences - Employees of the Church, administrative and ministerial, are entitled to paid time off depending upon length of service and other factors. The Church cannot reasonably estimate the amount of compensation for future absences; accordingly, no liability has been recorded in the accompanying financial statements. The Church's policy is to recognize the cost of compensated absences when paid to employees.

STONEBRIAR COMMUNITY CHURCH
Notes to Financial Statements

2 - Significant Accounting Policies (continued)

Investments - As required by the Investments - Debt and Equity Securities topic of the FASB ASC, investments in marketable equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investments consisted of certificates of deposit at June 30, 2018. The certificates of deposit are carried at cost plus accrued interest, which approximates fair value.

Property and Equipment - Property and equipment with a value in excess of $5,000 are recorded at cost, if purchased, and at fair market value at date of donation, if contributed. Major expenditures and those that substantially increase useful lives are capitalized. Maintenance, repairs and replacements, which do not improve or extend the lives of the respective assets, are charged to expense when incurred. Depreciation has been computed using the straight-line method over the useful lives of the assets as follows:

Buildings and improvements	40 years
Furniture and fixtures	5 to 10 years
Equipment	3 to 5 years
Vehicles	5 years

Depreciation expense amounted to $1,471,060 for the year ended June 30, 2018.

Concentrations and Credit Risks - At times, the Church maintains cash balances with financial institutions in excess of federally insured limits. It is the opinion of the Church's management that the solvency of the financial institutions is sufficient to cover any exposure.

Income Taxes - The Church follows the Income Taxes topic of the FASB ASC, which prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The Church is not aware of any activities that would jeopardize its tax-exempt status and is not aware of any activities that are subject to tax on unrelated business income. As of June 30, 2018, the Church has no uncertain tax positions that qualify for either recognition or disclosure in the combined financial statements and does not expect this to change in the next twelve months.

Subsequent Events - Subsequent events have been evaluated through September 14, 2018, which is the date the financial statements were available to be issued.

3 - Property and Equipment

As of June 30, 2018, the Church's property and equipment consisted of the following:

Land	$ 7,066,759
Buildings and improvements	49,207,732
Furniture, fixtures, and equipment	4,685,318
Vehicles	48,518
Construction in progress	15,383
	61,023,710
Less: accumulated depreciation	(18,056,474)
Property and equipment, net	$ 42,967,236

STONEBRIAR COMMUNITY CHURCH

Notes to Financial Statements

4 - Note Payable

In December 2005, the Church entered into a $24,500,000 loan agreement with a financial institution to refinance its existing debt and fund an expansion of its existing facilities. Monthly payments of interest only were required through July 1, 2009, at which time monthly payments of principal plus interest commenced. The outstanding loan balance at June 30, 2018 totaled $16,652,150.

The loan was separated into two tranches for repayment purposes. Tranche one, in the amount of $20,500,000, requires monthly payments of principal and interest, based on a twenty-five year amortization, until maturity in July 2019, at which time the remaining balance is due. The Church entered into an interest rate swap agreement to effectively fix the variable interest rate, one-month LIBOR plus 1.25%, at 6.77% over the life of the loan.

Tranche two, in the amount of $4,000,000, required monthly payments of principal and interest until maturity in July 2019. The payment schedule was based on a twenty-five year amortization and bore interest at a rate of one-month LIBOR plus 1.25%. The Church paid the remaining balance in full during the year ended June 30, 2012.

The interest rate swap agreement is a derivative financial instrument which, in this instance, is inversely proportional in value to the difference between the face value and fair value of the underlying debt. Therefore, no resulting asset or liability has been recorded in the financial statements. The estimated fair value of the interest rate swap agreement was a liability of approximately $323,429 as of June 30, 2018. The loan agreement allows for any prepayments to be applied first to the principal balance of tranche two and then to tranche one, if no amounts remain outstanding under the second tranche. Any prepayments on tranche one would not change the notional amounts for interest payment calculations under the swap agreement or accelerate its termination date of January 2019. Therefore, there is a contingent asset or liability associated with the swap agreement, which (based upon prevailing interest rates) would be recognized if the Church accelerated the payment of tranche one.

Future principal obligations on this note, as of June 30, 2018, are due as follows:

For the Year Ending June 30,	
2019	$ 593,505
2020	16,058,645
	$ 16,652,150

5 - Operating Leases

The Church has entered into several non-cancelable operating leases for office equipment. The following is a schedule of future minimum rentals under this lease at June 30, 2018:

For the Year Ending June 30,	
2019	$ 101,532
2020	101,532
2021	50,766

Expenses associated with the aforementioned leases for the year ended June 30, 2018 totaled $101,532.

STONEBRIAR COMMUNITY CHURCH
Notes to Financial Statements

6 - Board Designated Net Assets

The Board of Elders has designated certain unrestricted net assets to be set aside for various needs of the Church. These amounts have been included in the unrestricted net asset balance shown on the statement of financial position. As of June 30, 2018, the Board had designated funds as follows:

Operating reserve	$ 5,034,503
Board of elders	13,074
Debt reduction	8,769,736
Pipe organ reserve	21,655
	$ 13,838,968

7 - Temporarily Restricted Net Assets

The balance of temporarily restricted net assets as of June 30, 2018 relates to certain contributions for which the donor has imposed restrictions. During the year, temporarily restricted net assets in the amount of $1,594,428 had been expended in accordance with donor restrictions and were reclassified to unrestricted net assets. Temporarily restricted net assets as of June 30, 2018 were restricted for the following purposes and consisted of the following amounts:

Debt reduction	$ 792,964
Building fund	386,809
Missions	264,462
Special needs ministry	175,160
Adult ministry	128,121
Library	67,352
Benevolence	48,492
Children's ministry	1,448
Other	87,826
	$ 1,952,634

8 - Retirement Plan

The Church has a 403(b) retirement plan for all eligible employees. Employees can make contributions, subject to certain limitations, on a pretax basis. The Church can elect to contribute voluntarily to the plan on an annual basis. Employees are vested in the Church’s contributions to the plan over a two-year period. For the year ended June 30, 2018, the Church contributed $267,862 to the retirement plan.