

**Ecclesia Houston**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2023 and 2022

# **Ecclesia Houston**

## Table of Contents

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	Page
<b>Independent Auditors' Report</b>	1
<b>Financial Statements:</b>	
Statements of Financial Position as of December 31, 2023 and 2022	3
Statement of Activities for the year ended December 31, 2023	4
Statement of Activities for the year ended December 31, 2022	5
Statement of Functional Expenses for the year ended December 31, 2023	6
Statement of Functional Expenses for the year ended December 31, 2022	7
Statements of Cash Flows for the years ended December 31, 2023 and 2022	8
Notes to Financial Statements for the years ended December 31, 2023 and 2022	9

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## Independent Auditors' Report

To the Board of Overseers of  
Ecclesia Houston:

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Ecclesia Houston, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ecclesia Houston as of December 31, 2023 and 2022, and the changes in its net assets 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. 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 Ecclesia Houston 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 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, and for 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 Ecclesia Houston's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

#### *Auditors' Responsibilities 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 generally accepted auditing

standards 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 generally accepted auditing standards, 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 Ecclesia Houston'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 Ecclesia Houston'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.

*Blazek & Vetterling*

April 19, 2024

## Ecclesia Houston

### Statements of Financial Position as of December 31, 2023 and 2022

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	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 499,183	\$ 1,048,890
Prepaid expenses and other assets	421,997	627,614
Investments (Note 4)	5,939,979	6,194,241
Note receivable (Note 3)	120,883	129,185
Property and equipment, net (Note 5)	<u>22,584,685</u>	<u>22,496,597</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 29,566,727</u></b>	<b><u>\$ 30,496,527</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 293,806	\$ 100,559
Mission grants payable	<u>200,000</u>	<u>225,000</u>
Total liabilities	<u>493,806</u>	<u>325,559</u>
Net assets:		
Without donor restrictions	17,336,857	18,420,368
With donor restrictions (Note 6)	<u>11,736,064</u>	<u>11,750,600</u>
Total net assets	<u>29,072,921</u>	<u>30,170,968</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 29,566,727</u></b>	<b><u>\$ 30,496,527</u></b>

*See accompanying notes to financial statements.*

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## Ecclesia Houston

### Statement of Activities for the year ended December 31, 2023

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 3,423,213	\$ 512,973	\$ 3,936,186
Rental income <i>(Note 3)</i>	245,001		245,001
Special event		109,531	109,531
Direct donor benefits		(20,025)	(20,025)
Program fees	72,908		72,908
Paper Co. café sales	106,131		106,131
Cost of goods sold – Paper Co. café	(73,650)		(73,650)
Net investment return	<u>490,441</u>		<u>490,441</u>
Total revenue	4,264,044	602,479	4,866,523
Net assets released from restrictions:			
Expenditures for missions and outreach	<u>617,015</u>	<u>(617,015)</u>	
Total	<u>4,881,059</u>	<u>(14,536)</u>	<u>4,866,523</u>
EXPENSES:			
Program expenses:			
Ministry and education	4,212,234		4,212,234
Missions and outreach	<u>925,972</u>		<u>925,972</u>
Total program expenses	5,138,206		5,138,206
Management and general	<u>826,364</u>		<u>826,364</u>
Total expenses	<u>5,964,570</u>		<u>5,964,570</u>
CHANGES IN NET ASSETS	(1,083,511)	(14,536)	(1,098,047)
Net assets, beginning of year	<u>18,420,368</u>	<u>11,750,600</u>	<u>30,170,968</u>
Net assets, end of year	<u>\$ 17,336,857</u>	<u>\$ 11,736,064</u>	<u>\$ 29,072,921</u>

*See accompanying notes to financial statements.*

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## Ecclesia Houston

### Statement of Activities for the year ended December 31, 2022

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 3,402,586	\$ 532,155	\$ 3,934,741
Rental income <i>(Note 3)</i>	156,568		156,568
Special event		103,070	103,070
Direct donor benefits		(18,686)	(18,686)
Program fees	205,042		205,042
Paper Co. café sales	35,048		35,048
Cost of goods sold – Paper Co. café	(41,025)		(41,025)
Net investment return	8,841		8,841
Total revenue	3,767,060	616,539	4,383,599
Net assets released from restrictions:			
Expenditures for missions and outreach	459,177	(459,177)	
Total	4,226,237	157,362	4,383,599
EXPENSES:			
Program expenses:			
Ministry and education	4,037,470		4,037,470
Missions and outreach	870,992		870,992
Total program expenses	4,908,462		4,908,462
Management and general	731,114		731,114
Total expenses	5,639,576		5,639,576
CHANGES IN NET ASSETS	(1,413,339)	157,362	(1,255,977)
Net assets, beginning of year	19,833,707	11,593,238	31,426,945
Net assets, end of year	\$ 18,420,368	\$ 11,750,600	\$ 30,170,968

*See accompanying notes to financial statements.*

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## Ecclesia Houston

### Statement of Functional Expenses for the year ended December 31, 2023

	<u>MINISTRY AND EDUCATION</u>	<u>MISSIONS AND OUTREACH</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL EXPENSES</u>
Payroll and related benefits	\$ 2,360,435	\$ 98,863	\$ 481,204	\$ 2,940,502
Depreciation	401,270	11,653	44,773	457,696
Professional services	383,639	105	53,114	436,858
Repairs and maintenance	337,338	1,894	40,442	379,674
Mission grants to other non-profits		365,133		365,133
Occupancy	220,852	8,329	22,404	251,585
Insurance	176,428	2,028	24,913	203,369
Program equipment and supplies	135,080	58,330	110	193,520
Outreach/direct disaster assistance		163,585		163,585
Travel, meals and entertainment	74,195	25,239	19,519	118,953
Benevolence direct assistance		112,745		112,745
Software, subscriptions, and other technology	61,826		41,312	103,138
Furniture and equipment not capitalizable	45,116	18,080	3,761	66,957
Bank fees		1,701	43,526	45,227
Staff training and development	8,390	20	24,278	32,688
Property taxes			17,783	17,783
Other	<u>7,665</u>	<u>58,267</u>	<u>9,225</u>	<u>75,157</u>
Total expenses	<u>\$ 4,212,234</u>	<u>\$ 925,972</u>	<u>\$ 826,364</u>	5,964,570
Direct donor benefits				20,025
Cost of goods sold – Paper Co. café				<u>73,650</u>
Total				<u>\$ 6,058,245</u>

*See accompanying notes to financial statements.*



## Ecclesia Houston

### Statement of Functional Expenses for the year ended December 31, 2022

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	<u>MINISTRY AND EDUCATION</u>	<u>MISSIONS AND OUTREACH</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL EXPENSES</u>
Payroll and related benefits	\$ 2,408,481	\$ 94,432	\$ 432,939	\$ 2,935,852
Depreciation	204,908	11,489	22,768	239,165
Professional services	329,687	3,653	53,234	386,574
Repairs and maintenance	228,921	700	27,874	257,495
Mission grants to other non-profits		421,431		421,431
Occupancy	201,086	881	20,322	222,289
Insurance	152,740		21,163	173,903
Program equipment and supplies	77,963	54,428	445	132,836
Outreach/direct disaster assistance		122,988		122,988
Travel, meals and entertainment	257,586	46,409	5,206	309,201
Benevolence direct assistance		34,794		34,794
Software, subscriptions, and other technology	73,276		32,064	105,340
Furniture and equipment not capitalizable	27,379	8,671	1,940	37,990
Bank fees		2,152	44,432	46,584
Staff training and development	18,004	718	23,235	41,957
Property taxes			18,476	18,476
Other	<u>57,439</u>	<u>68,246</u>	<u>27,016</u>	<u>152,701</u>
Total expenses	<u>\$ 4,037,470</u>	<u>\$ 870,992</u>	<u>\$ 731,114</u>	5,639,576
Direct donor benefits				18,686
Cost of goods sold – Paper Co. café				<u>41,025</u>
Total				<u>\$ 5,699,287</u>

*See accompanying notes to financial statements.*

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## Ecclesia Houston

### Statements of Cash Flows for the years ended December 31, 2023 and 2022

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	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (1,098,047)	\$ (1,255,977)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	457,696	239,165
Net realized and unrealized (gain) loss on investments	(209,447)	85,170
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	205,617	216,571
Government grant receivable		248,682
Accounts payable and accrued expenses	193,247	(11,258)
Mission grants payable	<u>(25,000)</u>	<u>                    </u>
Net cash used by operating activities	<u>(475,934)</u>	<u>(477,647)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(121,702)	(203,758)
Proceeds from sales of investments	91,294	204,689
Net change in cash and money market mutual funds held as investments	494,117	1,199,814
Purchases of property and equipment	<u>(545,784)</u>	<u>(657,989)</u>
Net cash provided (used) by investing activities	<u>(82,075)</u>	<u>542,756</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on note receivable	<u>8,302</u>	<u>8,138</u>
<b>NET CHANGE IN CASH</b>	<b>(549,707)</b>	<b>73,247</b>
Cash, beginning of year	<u>1,048,890</u>	<u>975,643</u>
Cash, end of year	<u>\$ 499,183</u>	<u>\$ 1,048,890</u>

*See accompanying notes to financial statements.*

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## Ecclesia Houston

Notes to Financial Statements for the years ended December 31, 2023 and 2022

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### NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Ecclesia Houston (Ecclesia) is a nonprofit organization located in Houston, Texas, incorporated under the laws of the State of Texas. Ecclesia is a holistic, missional, Christian community that seeks to spread the Gospel of Jesus Christ, teaching the Bible and sharing the Christian faith with as many people as possible. Ecclesia is primarily supported by contributions provided through its Christian community in two locations. Ecclesia operates a café and coffee shop at the Elder Street location to provide a place of community for the congregation and others in Houston.

Federal income tax status – Ecclesia is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a religious organization under §509(a)(1) and §170(b)(1)(A)(i).

Cash – Bank deposits exceed the federally insured limit per depositor per institution. Cash held for investment is grouped with investments and excluded from cash in the statement of cash flows.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses. Cash which is held for long-term investment is grouped with investments and excluded from cash in the statement of cash flows.

Note receivable is carried at the unpaid principal balance less an allowance for credit losses note receivable balances, if necessary. No allowance has been provided at December 31, 2023.

Property and equipment is reported at cost. Contributions of property are reported at estimated fair value at the date of gift. Expenditures or contributions in excess of \$5,000 with an estimated useful life of more than one year are capitalized as property. Depreciation is reported on a straight-line basis over estimated useful lives of 5 to 37 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Absent explicit donor restrictions regarding use, contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Mission grants are recognized as expense when Ecclesia approves an unconditional commitment to a grant recipient. Commitments made but not yet funded are reported as mission grants payable. Grants payable at December 31, 2023 are to be paid within one year.

Contributions including government grants, are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before Ecclesia is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Funding received before conditions are met is reported as a refundable advance.

Contributed materials, use of facilities, and services – Donated materials and use of facilities are recognized at fair value as contributions without donor restrictions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of volunteers have contributed their time to Ecclesia for which no amount has been recognized in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Rental income is recognized ratably over the term of the lease.

Program fees are recognized in the period in which the goods or services are provided at the net amount of consideration Ecclesia expects to receive. There are no significant accounts receivable, contract assets, or liabilities that arise from these transactions.

Special event revenue is the total amount paid by attendees of an event and includes elements of both contributions and exchange transactions. Special event revenue is recognized when the event occurs. Direct donor benefits represent the cost of goods and services provided to attendees of the event.

Café Sales – Café sales are recognized when the goods are provided to a customer.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Paper Co. café activities are the direct conduct or supervision of activities for the Paper Co. café. Management and general activities are not directly identifiable with specific program or café activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation and other occupancy costs are allocated based on square footage. Information technology costs are allocated based on estimates of time and costs of specific technology utilized.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

## NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash	\$ 499,183	\$ 1,048,890
Other receivables	46,686	24,949
Investments	5,939,979	6,194,241
Note receivable	<u>120,883</u>	<u>129,185</u>
Total financial assets	6,606,731	7,397,265
Less financial assets not available for general expenditure:		
Note receivable due beyond one year	(112,413)	(120,882)
Restricted by donors for future projects	<u>(40,521)</u>	<u>(47,124)</u>
Total financial assets available for general expenditure	<u>\$ 6,453,797</u>	<u>\$ 7,229,259</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Ecclesia considers all expenditures related to its ongoing activities of providing ministry, mission and outreach programs, the operations of the Paper Co. café, as well as the conduct of services undertaken to support those activities, to be general expenditures.

Financial assets available for general expenditures include cash, equity securities, and accounts receivable. Ecclesia is substantially supported by contributions and program fees and regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of available funds.

## NOTE 3 – RELATED PARTY TRANSACTIONS

During 2021, Ecclesia loaned a member of the pastoral staff \$140,000, the proceeds of which were used to purchase the borrower's residence. The note bears interest at 2% and requires monthly payments of principal and interest beginning September 1, 2021, through maturity on August 15, 2036. The note is secured by the borrower's residence.

At December 31, 2023, principal payments are due as follows:

2024	\$ 8,470
2025	8,641
2026	8,816
2027	8,994
2028	9,176
Thereafter	<u>76,786</u>
Total	<u>\$ 120,883</u>

During 2021, Ecclesia entered into an agreement to lease certain space at the Lindale location to an organization to operate a Head Start program. The lease provides for a 5-year term, expiring on June 30, 2025, with the option to renew for three, 5-year increments. The lease provides for monthly rental payments of \$2,420 plus operating expenses of \$10,000. A member of the pastoral staff is the spouse of an executive employee of the lessor. Ecclesia recognized rental income of approximately \$138,000 and \$152,000 under this agreement during 2023 and 2022, respectively.

#### NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All of Ecclesia’s investments are measured at fair value using Level 1 inputs which are unadjusted quoted prices in active markets for identical assets or liabilities that Ecclesia has the ability to access at the reporting date.

	<u>2023</u>	<u>2022</u>
Investments measured using Level 1 inputs:		
Mutual funds:		
Money market	\$ 5,014,084	\$ 5,513,945
Equity	68,935	82,861
Bond	19,287	8,864
Common stock	463,581	351,927
Exchange-traded funds	<u>292,660</u>	<u>160,956</u>
Total assets measured using Level 1 inputs	5,858,547	6,118,553
Cash held as investments	<u>81,432</u>	<u>75,688</u>
Total investments	<u>\$ 5,939,979</u>	<u>\$ 6,194,241</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value.
- *Common stock* and *exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Ecclesia believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

## NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 16,036,251	\$ 16,036,251
Buildings and improvements	7,206,336	6,084,529
Furniture, fixtures, and equipment	855,777	708,042
Construction in progress	<u>335,476</u>	<u>1,059,234</u>
Total property and equipment, at cost	24,433,840	23,888,056
Accumulated depreciation	<u>(1,849,155)</u>	<u>(1,391,459)</u>
Property and equipment, net	<u>\$ 22,584,685</u>	<u>\$ 22,496,597</u>

In January 2016, Ecclesia entered into an agreement with a local area church to transfer all of the assets of the church to Ecclesia, which were appraised for approximately \$11,500,000. The agreement further provides that the property be used solely as a church operating as a member congregation of the Union Baptist Association for a period of 10 years from the date of the agreement. If Ecclesia does not utilize the property as a church, Union Baptist Association has the right to contest the title and revert the property. Ecclesia began operating a church at this location effective January 1, 2016 and management intends to continue to operate in compliance with this agreement for the feasible future.

## NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Ukraine Relief	\$ 60,731	\$ 94,809
Mission Seed Fund	55,000	
Gulf Coast Response	38,192	38,192
Outreach grants	33,582	58,393
Houston area school fund	24,565	
Argentina missions	21,664	
Hurricane Dorian Relief	2,330	8,932
UTHealth Partnership		50,000
Other		<u>274</u>
Total subject to expenditure for specified purpose	236,064	250,600
Not subject to appropriation or expenditure:		
Property to be used for a church until 2026 ( <i>Note 5</i> )	<u>11,500,000</u>	<u>11,500,000</u>
Total net assets with donor restrictions	<u>\$ 11,736,064</u>	<u>\$ 11,750,600</u>

**NOTE 7 – RETIREMENT PLAN**

Ecclesia maintains a §403(b) retirement savings plan to which all employees may contribute subject to Internal Revenue Service regulations. Ecclesia's contributions were approximately \$154,000 and \$151,000 in 2023 and 2022, respectively.

**NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 19, 2024, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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