

# WEST HOUSTON CHINESE CHURCH

Financial Statements  
With Independent Accountants' Review Report

December 31, 2022 and 2021

# 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, 2022 and 2021, 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.

### ***Emphasis of Matter***

West Houston Chinese Church has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). The amendments in this update require organizations that lease assets to recognize on the statements of financial position the assets and liabilities for the rights and obligations created by the leases. A lessee is required to recognize assets and liabilities for leases with terms of more than 12

*Capin Crouse LLP*

Irving, Texas  
May 17, 2023

# WEST HOUSTON CHINESE CHURCH

## Statements of Financial Position

	December 31,	
	2022	2021
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,905,602	\$ 1,676,245
Investments	43,053	70,072
Note receivable	241,667	-
Prepaid expenses and other assets	3,905	7,407
Property, plant, and equipment—net	2,595,131	5,140,003
Finance lease right-of-use asset	83,765	-
<b>Total Assets</b>	<b>\$ 4,873,123</b>	<b>\$ 6,893,727</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable and other liabilities	\$ 134,903	\$ 177,326
Finance lease right-of-use liability	84,552	-
<b>Total liabilities</b>	<b>219,455</b>	<b>177,326</b>
<b>Net assets:</b>		
Net assets without donor restrictions	4,608,810	6,653,363
Net assets with donor restrictions	44,858	63,038
<b>Total net assets</b>	<b>4,653,668</b>	<b>6,716,401</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,873,123</b>	<b>\$ 6,893,727</b>

See accompanying notes and independent accountants' review report

# WEST HOUSTON CHINESE CHURCH

## Statements of Activities

	Years Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 2,385,937	\$ 161,491	\$ 2,547,428	\$ 2,365,849	\$ 70,875	\$ 2,436,724
Rental income	16,667	-	16,667	100,000	-	100,000
Gain on insurance proceeds	-	-	-	129,543	-	129,543
Other income	78,190	-	78,190	44,410	-	44,410
Net assets released from restrictions	179,671	(179,671)	-	80,422	(80,422)	-
Total Support, Revenue, and Reclassifications	<u>2,660,465</u>	<u>(18,180)</u>	<u>2,642,285</u>	<u>2,720,224</u>	<u>(9,547)</u>	<u>2,710,677</u>
EXPENSES:						
Program services:						
Church activities	4,297,172	-	4,297,172	2,455,580	-	2,455,580
Supporting activities:						
General and administrative	407,846	-	407,846	382,340	-	382,340
Total Expenses	<u>4,705,018</u>	<u>-</u>	<u>4,705,018</u>	<u>2,837,920</u>	<u>-</u>	<u>2,837,920</u>
Change in Net Assets	(2,044,553)	(18,180)	(2,062,733)	(117,696)	(9,547)	(127,243)
Net Assets, Beginning of Year	<u>6,653,363</u>	<u>63,038</u>	<u>6,716,401</u>	<u>6,771,059</u>	<u>72,585</u>	<u>6,843,644</u>
Net Assets, End of Year	<u>\$ 4,608,810</u>	<u>\$ 44,858</u>	<u>\$ 4,653,668</u>	<u>\$ 6,653,363</u>	<u>\$ 63,038</u>	<u>\$ 6,716,401</u>

See accompanying notes and independent accountants' review report

# WEST HOUSTON CHINESE CHURCH

## Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (2,062,733)	\$ (127,243)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	311,816	336,448
Insurance proceeds in excess of loss	-	(129,543)
Unrealized loss (gain) on investments	27,019	(7,026)
Loss on sale of property, plant, and equipment	187	-
Amortization of finance lease right-of-use asset	13,961	-
In-kind grant expense of property, plant, and equipment	1,881,150	-
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	3,502	(5,102)
Accounts payable and other liabilities	(42,423)	48,251
Net Cash Provided by Operating Activities	<u>132,479</u>	<u>115,785</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	-	208,997
Insurance proceeds for property and equipment	-	170,620
Purchases of property, plant, and equipment	(173,283)	(569,017)
Net Cash Used by Investing Activities	<u>(173,283)</u>	<u>(189,400)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal paid on finance lease	(13,174)	-
Collections from note receivable	283,335	-
Net Cash Provided by Financing Activities	<u>270,161</u>	<u>-</u>
Change in Cash and Cash Equivalents	229,357	(73,615)
Cash and Cash Equivalents, Beginning of Year	<u>1,676,245</u>	<u>1,749,860</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,905,602</u>	<u>\$ 1,676,245</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Cash paid for interest	<u>\$ 1,757</u>	<u>\$ -</u>
Addition right-of-use asset from financing lease	<u>\$ 97,726</u>	<u>\$ -</u>
Non-cash issuance of note receivable for sale of building (Note 4)	<u>\$ 525,002</u>	<u>\$ -</u>

See accompanying notes and independent accountants' review report

# WEST HOUSTON CHINESE CHURCH

## Notes to Financial Statements

December 31, 2022 and 2021

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 support 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, 2022 and 2021, the cash accounts maintained exceeded federally insured limits by approximately \$1,504,000 and \$1,307,000, 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, 2022 and 2021, consists of mutual funds, whose value may be established by quoted market prices in an active market for identical assets and therefore classifies as Level 1. The Church did not have any Level 2 or Level 3 valued investments at December 31, 2022 and 2021.

# WEST HOUSTON CHINESE CHURCH

## Notes to Financial Statements

December 31, 2022 and 2021

### 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

#### RIGHT-OF-USE ASSETS AND LIABILITIES-FINANCING LEASE

The Church has one financing lease for office equipment. The Church determines if an arrangement is a lease at inception.

Right-of-use represents the Church's right to use the underlying asset for the lease term. Right-of-use assets and related liabilities are recognized at commencement dated based on the net present value of lease payments over the lease term discounted using a risk-free rate. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise the option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

#### 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, 2022 and 2021

### 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 4.

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.

#### ACCOUNTING PRONOUNCEMENTS ADOPTED

During fiscal year 2022, the Church adopted ASU No. 2016-02, *Leases* (Topic 842). This ASU was designed to increase transparency and comparability among organization by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. The new guidance was adopted by the Church, effective January 1, 2022, (transition date) using the modified retrospective transition method that allows for application of the standard at the adoption date rather than at the beginning of the earliest comparative period presented in the financial statement. Leases are classified as either operating or finance.

The Church elected the transition practical expedient package by applying previous accounting conclusions under ASC Topic 840, *Leases* (ASC 840), to all leases that existed prior to the transition date. As a result, the Church did not reassess whether existing or expired contracts contained leases; lease classification for any existing or expired leases; or whether lease origination costs qualified as initial direct costs. The ASU and subsequent amendments require leases to recognize assets and liabilities on the statement of financial position for all leases with a term of greater than 12 months and disclosure of certain quantitative and qualitative information pertaining to an entity's leasing arrangements. The Church also elected the hindsight practical expedient, which permits the use of hindsight when determining lease term and impairment of right-of-use assets, and the land easement reassessment practical expedient. These practical expedients were elected for all classes of underlying assets.

The adoption of the standard resulted in the recognition as of January 1, 2022, of the financing lease right-of-use assets and corresponding liabilities of \$0. (Refer to Note 6 for disclosures about leases).

In 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 58)- *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Church adopted the presentation and disclosure of this new standard during the year ended December 31, 2022, on a retrospective approach. There was no material effect on the presentation and disclosures of the Church's financial statements as a result of this adoption.

# WEST HOUSTON CHINESE CHURCH

## Notes to Financial Statements

December 31, 2022 and 2021

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,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 1,905,602	\$ 1,676,245
Less those not available for general expenditures within one year:		
Restricted for purpose	(44,858)	(63,038)
	<u>(44,858)</u>	<u>(63,038)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,860,744</u>	<u>\$ 1,613,207</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, 2022 and 2021

4. NOTE RECEIVABLE:

The Church issued a note receivable of \$525,002, for the sale of the building used by New Hope Christian Church Woodlands (NHCCW). The note is due in monthly installments of \$8,333 and has a maturity date of June 14, 2027. The note is interest free and imputed interest has been evaluated and determined to be immaterial for inclusion in the financial statements. NHCCW made additional payments on the note during the year ended December 31, 2022, and is expected to pay off the note early during the year ended December 31, 2024, based on the terms of payment.

	December 31,	
	2022	2021
Note receivable from NHCCW	\$ 241,667	\$ -

Maturities of notes receivable are as follows:

<u>Years ending December 31,</u>	<u>Amounts</u>
2023	\$ 100,000
2024	100,000
2025	41,667
	<u>\$ 241,667</u>

NHCCW was a church plant by the Church that began in 2012 and became independent in September 2019. From September 2019 through February 2022, NHCCW continued to use the facilities owned by the Church and agreed to pay the Church monthly installments of \$8,333 for ten years starting in 2017 and ending in 2027. During the years ended December 31, 2022 and 2021, the Church received \$16,667 and \$100,000, respectively, in rental income from NHCCW.

In February 2022, a purchase agreement was signed with NHCCW, through which the note receivable was issued with the terms identified above. As part of this transaction, the Church made a non-cash donation to NHCCW of approximately \$1,900,000, related to the net book value of the property sold to the NHCCW.

# WEST HOUSTON CHINESE CHURCH

## Notes to Financial Statements

December 31, 2022 and 2021

5. PROPERTY, PLANT, AND EQUIPMENT–NET:

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

	December 31,	
	2022	2021
Land	\$ 281,568	\$ 1,739,068
Buildings and building improvements	6,522,829	7,704,579
Furniture and fixtures	244,678	240,286
Equipment	709,647	970,313
Vehicle	130,504	130,504
	<u>7,889,226</u>	<u>10,784,750</u>
Less accumulated depreciation	<u>(5,294,095)</u>	<u>(5,644,747)</u>
	<u>2,595,131</u>	<u>5,140,003</u>
Construction in progress	<u>-</u>	<u>-</u>
	<u><u>\$ 2,595,131</u></u>	<u><u>\$ 5,140,003</u></u>

# WEST HOUSTON CHINESE CHURCH

## Notes to Financial Statements

December 31, 2022 and 2021

### 6. FINANCING LEASE RIGHT OF USE ASSETS AND LIABILITIES:

The Church leases multiple copiers under an noncancelable lease agreement expiring in 2027. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term. The lease requires monthly payments totaling \$1,659 per month.

	December 31,	
	2022	2021
Assets:		
Financing lease right-of-use assets	\$ 83,765	\$ -
Liabilities:		
Financing lease liabilities	\$ 84,552	\$ -
Lease cost:		
Financing lease costs:		
Amortization of ROU assets	\$ 13,961	\$ -
Interest on lease liabilities	1,757	-
	\$ 15,718	\$ -
Weighted average remaining lease term	4.25 Years	0 Years
Weighted average discount rate	2.55%	0%

Maturities of operating lease liabilities are as follows:

Years ending December 31,	Amounts
2023	\$ 19,908
2024	19,908
2025	19,908
2026	19,908
2027	9,954
	89,586
Imputed interest	(5,034)
Total	\$ 84,552

# WEST HOUSTON CHINESE CHURCH

## Notes to Financial Statements

December 31, 2022 and 2021

### 7. FUNCTIONAL ALLOCATION OF EXPENSES:

The natural classification of expenses is recorded as follows as of the year ended December 31, 2022:

	Program Services	Supporting Activities	
	Church Activities	General and Administrative	Total
Salaries and benefits	\$ 1,277,616	\$ 157,618	\$ 1,435,234
Depreciation	249,453	62,363	311,816
In-kind grants	1,881,150	-	1,881,150
Missions grants	308,753	-	308,753
Repairs and maintenance	30,858	1,572	32,430
Ministry supplies	195,254	-	195,254
Printing, posting, and office supplies	71,301	57,971	129,272
Contract labor	77,352	7,520	84,872
Benevolence	68,250	-	68,250
Utilities	66,417	6,140	72,557
Professional fees	1,764	57,289	59,053
Insurance	1,934	55,057	56,991
Equipment	14,308	-	14,308
Travel	39,142	-	39,142
Rent	12,654	-	12,654
Other	966	2,316	3,282
	<u>\$ 4,297,172</u>	<u>\$ 407,846</u>	<u>\$ 4,705,018</u>

# WEST HOUSTON CHINESE CHURCH

## Notes to Financial Statements

December 31, 2022 and 2021

7. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

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

	Program Services	Supporting Activities	
	Church Activities	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
	<u>\$ 2,455,580</u>	<u>\$ 382,340</u>	<u>\$ 2,837,920</u>

8. 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, 2022 and 2021, were \$42,749 and \$37,237, respectively.

# WEST HOUSTON CHINESE CHURCH

## Notes to Financial Statements

December 31, 2022 and 2021

9. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following:

	December 31,	
	2022	2021
Benevolence	\$ 28,215	\$ 39,380
Church planting	1,410	1,410
Other	15,233	22,248
	<u>\$ 44,858</u>	<u>\$ 63,038</u>

10. RELATED PARTY TRANSACTIONS:

During the years ended December 31, 2022 and 2021, contributions by Church council members totaled approximately \$342,000 and \$235,000, respectively.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through May 17, 2023, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.