

Dallas District Church of the Nazarene
dba North / East Texas District Church of the Nazarene
Annual Report of the Treasurer
2020-21

Vail & Park, P.C. conducted a review of the District's finances. This review determined that the accompanying financial statements are in conformity with generally accepted accounting principles.

In summary:

The North / East Texas District Church of the Nazarene has:

Current Assets of:	\$ 1,579,383
Net Land, Buildings, and Equipment	<u>\$ 4,670,541</u>
Total Assets	\$ 6,249,924
Total Liabilities	\$ 1,931,251

Total receipts for Fiscal Year 2020-21 (Revenue & Net Other Income) of \$1,448,446

This includes \$349,182 in budgeted support (the most received in over 15 years).

Total expenses for Fiscal Year 2020-21 amounted to \$1,450,429

These expenses include \$188,866 in depreciation.

Financial activities resulted in an decrease in net assets of \$ 1,983

The District has total investments of \$1,313,904; Notes Payable (including current maturities) of \$1,714,002.

Contingent liabilities total \$ 500,040.

Greater detail is given in the accompanying financial statements and notes.

It has been a pleasure to serve and I want to thank you for your generosity and cooperation. May the Lord richly bless you!

Respectfully submitted,

Rev. Jerry Wilson
District Treasurer

FINANCIAL STATEMENTS

Dallas District Church of the Nazarene

dba North / East Texas District Church of the Nazarene

Fiscal Year Ended April 30, 2021

Dallas District Church of the Nazarene
dba North / East Texas District Church of the Nazarene

Financial Statements

Fiscal Year Ended April 30, 2021

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Independent Accountants' Review Report

To the Board of Directors
Dallas District Church of the Nazarene dba North / East Texas Church of the Nazarene
Richardson, Texas

We have reviewed the accompanying financial statements of Dallas District Church of the Nazarene (the "District"), which comprise the statement of financial position as of April 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 district 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 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 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.

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. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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.

Vail + Park, P.C.

Richardson, Texas
July 8, 2021

Dallas District Church of the Nazarene
Statement of Financial Position
April 30, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 127,323
Investments in securities	1,313,904
Accounts receivable	104,287
Prepaid expenses and deposits	33,869

Total current assets	1,579,383
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Non-current assets:

Property and equipment, net	4,670,541
Total non-current assets	4,670,541

Total Assets	\$ 6,249,924
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Liabilities and Net Assets

Liabilities

Current liabilities:

Accounts payable and accrued expenses	\$ 115,653
Scottsville Nazarene Camp: advance group deposits	16,450
Line of credit	35,000
Paycheck Protection Program (PPP) loan	50,146
Notes payable - current	78,377

Total current liabilities	295,626
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Non-current liabilities:

Notes payable - non-current	1,635,625
Total non-current liabilities	1,635,625

Total liabilities	1,931,251
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Net assets

Without donor restrictions	4,302,326
With donor restrictions	16,347

Total net assets	4,318,673
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Total Liabilities and Net Assets	\$ 6,249,924
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The accompanying notes are an integral part of these financial statements.

Dallas District Church of the Nazarene
Statement of Activities
Fiscal Year Ended April 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Budgeted support	\$ 349,182	\$ -	\$ 349,182
United Ministries Fund	-	389,891	389,891
Principal reduction	52,027	-	52,027
District contributions	18,775	-	18,775
Scottsville Nazarene Camp: operating revenue	105,134	-	105,134
Scottsville Nazarene Camp: designated receipts	-	54,800	54,800
Scottsville Nazarene Camp: contributions	59,602	-	59,602
Net investment gain	80,901	-	80,901
Dividends and interest income	44	-	44
Gain on sales of properties	226,851	-	226,851
Other income	111,239	-	111,239
Total support and revenue before net assets released from restrictions	1,003,755	444,691	1,448,446
Net assets released from restrictions	444,691	(444,691)	-
Total Support and Revenue	1,448,446	-	1,448,446
Expenses and Losses			
General administration	276,071	-	276,071
District activities	843,177	-	843,177
Scottsville Nazarene Camp	331,181	-	331,181
Total Expenses and Losses	1,450,429	-	1,450,429
Change in Net Assets	(1,983)	-	(1,983)
Net Assets at Beginning of the Year	4,304,309	16,347	4,320,656
Net Assets at End of the Year	\$ 4,302,326	\$ 16,347	\$ 4,318,673

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

Dallas District Church of the Nazarene
Statement of Functional Expenses
Fiscal Year Ended April 30, 2021

	General Administration	District Activities	Scottsville Nazarene Camp	Total
Expenses and Losses				
Salaries and wages	\$ 114,553	\$ 20,688	\$ 44,060	\$ 179,301
Employee benefits and insurance	70,308	-	40,700	111,008
Payroll taxes	19,276	-	6,926	26,202
Office rent and maintenance	27,311	66,924	10,150	104,385
Utilities	64	-	53,652	53,716
Professional fees	3,330	-	-	3,330
Postage	644	-	-	644
Vehicle expenses	14,500	-	-	14,500
Communications	3,022	-	-	3,022
Travel expenses	19,160	-	2,390	21,550
Office supplies and expenses	3,680	-	3,188	6,868
Church development	-	27,615	-	27,615
District activities expense	-	16,546	-	16,546
Board meeting expense	-	1,661	-	1,661
Camp assistance	-	16,000	-	16,000
Pastoral and leadership development	-	6,640	-	6,640
Church assistance	-	62,525	-	62,525
United ministries fund to others	-	389,891	-	389,891
Ministerial assistance	-	4,390	-	4,390
Administrative	-	-	16,106	16,106
Interest expense	-	14,820	22,520	37,340
Food purchases	-	-	42,726	42,726
Depreciation expense	-	115,856	73,010	188,866
Other expenses	223	99,621	15,753	115,597
Total Expenses and Losses	\$ 276,071	\$ 843,177	\$ 331,181	\$ 1,450,429

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

Dallas District Church of the Nazarene
Statement of Cash Flows
Fiscal Year Ended April 30, 2021

Cash Flows from Operating Activities	
Change in net assets	\$ (1,983)
Adjustments to reconcile net assets to net cash provided by operations:	
Depreciation expense	188,867
Gain on sale of property	(226,851)
Net investment gain	(80,901)
Changes in operating assets and liabilities:	
Accounts receivable	10,574
Prepaid expenses and deposits	4,394
Accounts payable and accrued expenses	20,598
Advance group deposits	610
Net cash provided by operating activities	<u>(84,692)</u>
Cash Flows from Investing Activities	
Purchase of investments	(181,901)
Proceeds from disposition of investments	16,582
Proceeds from disposition of property and equipment	550,970
Purchase of property and equipment	(65,500)
Net cash used in investing activities	<u>320,151</u>
Cash Flows from Financing Activities	
Proceeds from Paycheck Protection Program (PPP) loan	50,146
Proceeds from notes payable	850,000
Payments on notes payable	(1,153,033)
Net cash provided by financing activities	<u>(252,887)</u>
Net decrease in cash	<u>(17,428)</u>
Cash and cash equivalents at May 1, 2019	<u>144,751</u>
Cash and cash equivalents at April 30, 2020	<u><u>\$ 127,323</u></u>
Supplemental cash flow information:	
Interest paid during the year	<u>\$ 37,340</u>
Income tax paid during the year	<u>\$ -</u>

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

Dallas District Church of the Nazarene
Notes to Financial Statements
April 30, 2021

1. Nature of Organization

Dallas District Church of the Nazarene (the “District”) is organized as a not-for-profit organization, affiliated with the International Church of the Nazarene. The organization does business under the name “North/ East Texas District Church of the Nazarene”.

The mission of the District is to encourage and resource ministries through the local Churches of the Nazarene as well as to create new ministries and local fellowships in order to impact people with the life-changing power of Jesus Christ in Northeast Texas. The District includes 68 unique congregations in Northeast Texas which it supports and is supported through budgeted support from its member congregations. Additionally, the District operates Scottsville Nazarene Camp, a camp that include lodges, cabins and dorms, meeting rooms, and recreational facilities, which collects user fees.

2. Summary of Significant Accounting Policies

The summary of significant accounting policies of the District is presented to assist in understanding the financial statements. The financial statements and notes are representations of the District's management, who is responsible for the fairness and objectivity embodied in the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The financial statements of the District are reported on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Net Assets

Net assets, revenue, and support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.
- Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. Generally, the donors of these assets permit the District to use all or part of the income earned on related investments for general or specific purposes.

Dallas District Church of the Nazarene
Notes to Financial Statements
April 30, 2021

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The District considers all highly liquid investments with original maturities of ninety days or less to be cash equivalents.

Investment Valuation and Income Recognition

Investments are reported at 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. See Note 3 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the District's gains and losses on investments bought and sold as well as held during the year.

Accounts Receivable

Accounts receivable are recorded at estimated realizable value. The District does not record the budget allocations from member churches as accounts receivables since such allocated amounts are conditional promises to pay and are not enforceable obligations. However, known current year budget allocations collected in subsequent periods after fiscal year-end are considered unconditional promises to pay and are therefore recorded as accounts receivable in the current period.

Prepaid Expenses

Prepaid expense primarily consists of promotional products purchased in advance of, and to be used for future campaigns as well as advance payments for program events and other services.

Property and Equipment and Depreciation

Property and equipment are stated at cost or fair market value at the date the item is donated, less accumulated depreciation. Major expenditures, and those, which 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 operations when incurred. When furniture or equipment is sold or otherwise disposed of, the asset and related accumulated depreciation is removed, and gain or loss is included in operations.

Dallas District Church of the Nazarene
Notes to Financial Statements
April 30, 2021

2. Summary of Significant Accounting Policies (continued)

Property and Equipment and Depreciation (continued)

Depreciation has been calculated using the straight-line method based on the estimated useful lives of the assets as follows:

Conveyed property	30 years
Buildings	5 - 30 years
Land improvements	5 years
Office equipment	5 years
Campground equipment	5 years
Vehicles	5 years

Federal Income Taxes

The District is a not-for-profit corporation that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Contributions

Unrestricted contributions and in-kind contributions are recognized and reported as increases to net assets without donor restrictions in the statement of activities in the fiscal year in which the donor makes the unconditional promise to give to the District. Contributions and in-kind contributions that are restricted by the donor as to their specified purpose or time period for use are recognized and reported as increases to net assets with donor restrictions in the statement of activities in the fiscal year in which the donor makes the promise to give to the District. When a donor restriction expires or is satisfied, the related assets are reclassified from net assets “with donor restrictions” to net assets without donor restrictions in the consolidated statement of activities. Unconditional promises to give due in the current year are recorded at their net realizable value.

Contributed Services, Materials, and Supplies

Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets; the services would have been purchased if not provided by contribution; and the service requires specialized skills. Material in-kind items used in the program (e.g., equipment, supplies, etc.) are recorded as income and expense or are capitalized at the time the items are placed into service or distributed. Additionally, the Foundation received significant contributions of time from its Directors and unpaid volunteers for various activities and other services of the Foundation. The value of this contributed time is not reflected in the financial statements since no objective basis is available to measure the value of the volunteered services.

Dallas District Church of the Nazarene
Notes to Financial Statements
April 30, 2021

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

On January 1, 2020, the District adopted ASC Topic 606, Revenue from Contracts with Customers, including the subsequent ASUs that amended and clarified the related guidance. The core guidance in ASC 606 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the District expects to be entitled in exchange for those goods or services. The amount to which the District expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services.

Functional Expense Allocation

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of functional expenses. The District incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The District also conducts several activities which benefit both its program objectives as well as supporting services. Accordingly, certain costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited. Allocation among programs and supporting services benefited is mainly based on estimates of time and effort incurred by personnel.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in the preparation of these financial statements such as depreciation and amortization methods. It is at least reasonably possible that the significant estimates used will change within the next year.

3. Concentration of Credit Risk

Funds deposited in banks are federally insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At April 30, 2021, the District maintains its cash in various accounts at amounts which are below the federally insured limit.

The District serves the Northeast Texas/Dallas Fort Worth Metroplex area and is entirely dependent upon budgeted payments from its member churches and their local church membership (excluding Scottsville Camp). Future changes within the area economy can significantly affect the ability of the member churches to provide funds for district operation.

Dallas District Church of the Nazarene
Notes to Financial Statements
April 30, 2021

4. Fair Value Measurements

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at April 30, 2021:

Mutual Funds

Valued at the daily closing price as reported by the fund. Mutual funds held by the District are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (“NAV”) and to transact at that price. The mutual funds held by the District are deemed to be actively traded.

The following table sets forth by level, within the fair value hierarchy, the District’s assets at fair value as of April 30, 2021:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,122,102	\$ -	\$ -	\$ 1,122,102
Mutual funds	191,802	-	-	191,802
Total investment at fair value	<u>\$ 1,313,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,313,904</u>

Dallas District Church of the Nazarene
Notes to Financial Statements
April 30, 2021

5. Property and Equipment

The following is a summary of property and equipment as of April 30, 2021:

	Amount
Dallas District:	
Conveyed property - land	\$ 797,752
Conveyed property - buildings	3,423,147
Office equipment	4,138
Gross property and equipment	4,225,037
Less: accumulated depreciation	(263,663)
Total Dallas District	3,961,374
Scottsville Nazarene Camp:	
Land	81,554
Buildings	1,619,419
Land improvements	165,847
Campground equipment	70,458
Office equipment	8,680
Vehicles	33,206
Gross property and equipment	1,979,164
Less: accumulated depreciation	(1,269,997)
Total Scottsville Nazarene Camp	709,167
Total property and equipment, net	\$ 4,670,541

Total depreciation expense for the fiscal year ended April 30, 2021 was \$188,866.

6. Line of Credit

The District has a revolving line of credit for \$100,000 maturing on August 11, 2021, with Cypress Bank. The line of credit bears interest at 5.00% and requires semi-annual interest payments. The loan may only be used for working capital and general operation purposes. The line of credit contains various covenants with which The District is in compliance. As of April 30, 2021, outstanding advances is \$35,000. The line is secured by vehicles and equipment.

Dallas District Church of the Nazarene
Notes to Financial Statements
April 30, 2021

7. Notes Payable

The following is a summary of notes payable as of April 30, 2021:

Notes Payable	Amount
Note payable to investment fund, payable in monthly installments of \$3,060 including interest of 5.0% through January 2032. Collateralized by land and improvements. The loan is subject to periodic review and changes.	\$302,264
Note payable to investment fund, payable in monthly installments of \$1,890 including interest of 5.5% through January of 2032. Collateralized by land and improvements. The loan is subject to periodic review and changes.	238,920
Note payable to investment fund, payable in monthly installments of \$895 including interest of 5.5% through May of 2033. Collateralized by land and improvements. The loan is subject to periodic review and changes.	94,591
Note payable to investment fund, payable in monthly installments of \$1,235 including interest of 5.0% through May of 2034. Collateralized by land and improvements. The loan is subject to periodic review and changes.	143,297
Note payable to investment fund, payable in monthly installments of \$940 including interest of 5.0% through July of 2032. Collateralized by land and improvements. The loan is subject to periodic review and changes.	95,573
Note payable to investment fund, payable in monthly installments of \$197 including interest of 5.34% through January of 2023. Collateralized by land and improvements. The loan is subject to periodic review and changes.	3,921
Note payable to investment fund, payable in monthly installments of \$1,057 for principal and interest of 5.5% through November 2038. Collateralized by by land and improvements. The loan is subject to periodic review and changes.	145,471
Note payable to financial institution, payable in monthly installments of \$4,717 including interest of 5.25% through October 2040. Collateralized by land and improvements.	689,965
Total notes payable	<u>1,714,002</u>
Less: current portion	<u>78,377</u>
Non-current portion	<u>\$ 1,635,625</u>

Dallas District Church of the Nazarene
Notes to Financial Statements
April 30, 2021

7. Notes Payable (continued)

Notes payable maturities are as follows:

Years ending April 30:	<u>Amount</u>
2022	\$ 78,377
2023	83,271
2024	85,898
2025	90,539
2026	95,402
Thereafter	<u>1,280,515</u>
	<u>\$ 1,714,002</u>

8. Paycheck Protection Program (PPP) Loan

The District received loans from U.S. Small Business Administration (SBA) in the amount of \$69,537 (1st draw) and \$50,146 (2nd draw) under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loans are subject to notes dated April 6, 2020 and March 22, 2021, respectively.

The District applied for and has been notified that \$69,537 in eligible expenditures for payroll and other expenses described in the CARES Act has been forgiven. Loan forgiveness is reflected in other income in the accompanying statement of activities.

On the \$50,146 loan, no determination has been made as to whether the District will be eligible for forgiveness, in whole or in part. The loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning 6 months from the date of the note. The loan may be repaid at any time with no prepayment penalty.

9. Advertising costs

The District expenses advertising costs as they are incurred. The District expensed \$201 in advertising costs in the year ended April 30, 2021.

10. Reserves

As of April 30, 2021 The District has a reserve is amount of \$12,000 for travel and lodging expenses to send delegates to General Assembly.

Dallas District Church of the Nazarene
Notes to Financial Statements
April 30, 2021

11. Commitments and Contingencies

The District leases office and copier under operating lease agreements with varying terms. Total operating lease expense for the year ended April 30, 2021 was \$25,783. Future minimum lease payments are as follows:

Years ending April 30:	<u>Amount</u>
2022	\$ 24,826
2023	-
2024	-
2025	-
2026	-
Thereafter	-
	<u>\$ 24,826</u>

The District is contingently liable on various mortgage notes of individual churches aggregating approximately \$500,040. In the event the churches are unable to satisfy their individual obligations, the District will be required to make the monthly payments on their behalf. During the current year, the District did not make any payments for such contingent liability.

The District is involved in lawsuits with other parties from time to time. While the ultimate result of these matters cannot be predicted with certainty, the District does not expect them to have a materially adverse effect on its financial statements.

12. Subsequent Events

The ongoing global pandemic resulting from the outbreak of the coronavirus (COVID-19) may disrupt the District's operations. As the District cannot predict the duration or scope of the COVID-19 pandemic, the positive or negative financial impact to our results cannot be reasonably estimated but could be material.

13. Date of Management's Review

Subsequent events were evaluated through July 8, 2021, the financial issuance date.