PSK LLP
Accountants & Advisors

October 23, 2020

To the Board of Elders
Christ Fellowship

We have audited the financial statements of Christ Fellowship (the "Church") for the year ended June 30, 2020 and have issued our report thereon dated October 23, 2020. Professional standards require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 17, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Church are described in Note 2 to the financial statements. The Church adopted Accounting Standards Update 2016-18: *Statement of Cash Flows (Topic 230): Restricted Cash*, which is an amendment to the FASB Accounting Standards Codification; otherwise, no new accounting policies were adopted and the application of existing polices was not changed during 2020. We noted no transactions entered into by the Church during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimates of the depreciable lives related to property and equipment and the functional allocation of expenses are based on management's experience and judgment. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. There were no disclosures included in the financial statements that were considered to be sensitive in nature and the financial statement disclosures are neutral, consistent, and clear.

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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has agreed to correct all such misstatements. We proposed the following adjusting journal entries detailed below during the course of our audit.

- Capitalize fixed asset additions totaling $54,753.*
- Record depreciation expense in the amount of $1,147,290.*
- Record payroll accrual totaling $90,207.*
- Decrease balance of note payable in the amount of $3,189.

** These adjustments were made by us to properly convert the Church's financial statements from budgetary cash basis to accrual basis in order to be in compliance with accounting principles generally accepted in the United States of America.*

Internal Control Related Matters

In planning and performing our audit of the financial statements of the Church as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Church's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Church's internal control. Accordingly, we do not express an opinion on the effectiveness of the Church's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and, therefore, significant deficiencies or material weaknesses may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Church's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 23, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Church’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Church’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Elders and management of Christ Fellowship and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,

PSK LLP

PSK LLP

CHRIST FELLOWSHIP

McKinney, Texas

Financial Statements

Year Ended June 30, 2020

CHRIST FELLOWSHIP
Financial Statements
Year Ended June 30, 2020

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Elders
Christ Fellowship
McKinney, Texas

We have audited the accompanying financial statements of Christ Fellowship (the "Church"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, 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 Christ Fellowship as of June 30, 2020, 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
October 23, 2020

CHRIST FELLOWSHIP
Statement of Financial Position
June 30, 2020

ASSETS

Cash and cash equivalents	$ 1,933,374
Prepaid expenses and receivables	3,030
Cash restricted for long-term purposes	140,254
Property and equipment, net	19,316,279
Total assets	$ 21,392,937

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	$ 27,060
Accrued expenses	111,596
Deferred insurance claim proceeds	123,483
Notes payable, net	12,055,784
Total liabilities	12,317,923
Net assets	
Without donor restrictions	8,347,663
With donor restrictions	727,351
Total net assets	9,075,014
Total liabilities and net assets	$ 21,392,937

CHRIST FELLOWSHIP
Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Tithes and offerings	$ 4,071,094	$ 606,120	$ 4,677,214
Fee-based activity revenue	606,656	-	606,656
Interest income	2,530	-	2,530
Other income	39,569	-	39,569
Net assets released from restrictions	462,280	(462,280)	-
Total revenues	5,182,129	143,840	5,325,969
Program expenses			
Ministries	2,928,968	-	2,928,968
Worship	1,831,471	-	1,831,471
Outreach and missions	394,509	-	394,509
	5,154,948	-	5,154,948
Supporting services	822,914	-	822,914
Total expenses	5,977,862	-	5,977,862
Change in net assets	(795,733)	143,840	(651,893)
Net assets at beginning of the year	9,143,396	583,511	9,726,907
Net assets at end of the year	$ 8,347,663	$ 727,351	$ 9,075,014

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

CHRIST FELLOWSHIP
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Expenses				
	Ministries	Worship	Outreach and Missions	Supporting Services	Total
Personnel	$ 1,575,816	$ 807,929	$ 61,277	$ 529,314	$ 2,974,336
Supplies and resources	386,912	99,567	8,773	191,630	686,882
Support for others	37,315	-	222,489	-	259,804
Facilities	239,614	234,664	25,380	25,380	525,038
Depreciation	516,281	516,281	57,364	57,364	1,147,290
Interest	173,030	173,030	19,226	19,226	384,512
Total	$ 2,928,968	$ 1,831,471	$ 394,509	$ 822,914	$ 5,977,862

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

CHRIST FELLOWSHIP
Statement of Cash Flows
Year Ended June 30, 2020

Cash flows from operating activities:	
Change in net assets	$ (651,893)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,147,290
Contributions restricted for long-term purposes	(64,431)
(Increase) decrease in assets:	
Prepaid expenses and receivables	(1,591)
Increase (decrease) in liabilities:	
Accounts payable	3,226
Accrued expenses	(46,931)
Net cash provided by operating activities	385,670
Cash flows from investing activities:	
Purchases of property and equipment	(54,753)
Insurance claim proceeds	123,483
Net cash provided by investing activities	68,730
Cash flows from financing activities:	
Contributions restricted for long-term purposes	64,431
Principal payments on notes payable	(295,668)
Principal advances on notes payable	597,330
Net cash provided by financing activities	366,093
Change in cash, cash equivalents, and restricted cash	820,493
Cash, cash equivalents, and restricted cash at beginning of the year	1,253,135
Cash, cash equivalents, and restricted cash at end of the year	$ 2,073,628
Supplemental disclosure of cash flow information:	
Cash paid for interest	$ 384,512

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

CHRIST FELLOWSHIP
Notes to Financial Statements

1 - Historical Background

Christ Fellowship (the "Church") was established in March of 1997 in the state of Texas, as a not-for-profit religious organization, under Internal Revenue Code section 501(c)(3), as other than a private foundation. The Church operates in pursuit of its mission to be people helping people find and follow Christ.

2 - Summary of 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.

Adoption of New Accounting Standards - In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-18: *Statement of Cash Flows (Topic 230): Restricted Cash* ("ASU 2016-18"), which is an amendment to the FASB Accounting Standards Codification ("FASB ASC") Topic 230. ASU 2016-18 is effective for annual financial statements issued for fiscal years beginning after December 15, 2018. Adopting ASU 2016-18 has had the following impact on the Church's financial statements:

- The statement of cash flows now shows the change in total cash, cash equivalents, and restricted cash in the reconciliation of beginning of year and end of year amounts.

- The notes to the financial statements include a new disclosure to reconcile cash, cash equivalents, and restricted cash reported on the statement of financial position to the amount shown on the statement of cash flows.

Basis of Presentation - Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified 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 may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues and Support - Revenues and support for the Church are primarily derived from tithes and offerings from the Church membership and fee-based activities.

Revenue Recognition - The Church recognizes contributions when cash, securities, or other assets are received. The Church recognizes revenue from fee-based activities in the period the services are provided to members. The performance obligation of delivering services is simultaneously received and consumed by members; therefore, the revenue is recognized in the period to which it relates.

CHRIST FELLOWSHIP

Notes to Financial Statements

2 - Summary of Significant Accounting Policies (continued)

Programs - The Church pursues its objectives through the execution of the following major programs:

Ministries - Various ministry areas of the Church.

Worship - Weekend church services and special events to lead everyone to a worship lifestyle.

Outreach and Missions - Reaching out to the people with the love of Jesus Christ.

Cash and Cash Equivalents - The Church considers all bank deposits and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital needs, such as building projects and debt retirement, or other long-term purposes are excluded from this definition.

Property and Equipment - Property and equipment are recorded at cost, if purchased, and fair market value at date of donation, if contributed. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings and improvements	5 - 30 years
Furniture, fixtures and equipment	3 - 25 years
Vehicles	5 years

Maintenance, repairs and minor renewals that do not significantly improve or extend the lives of the representative assets are expensed when incurred. Additions, improvements and major renewals in excess of $5,000 are capitalized.

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited and are allocated on the basis of estimates of time and effort.

Use of Estimates - Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. 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.

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 market values at the date of donation.

Concentration of Credit Risks - The Church maintains accounts at financial institutions which, at times, may exceed federally insured limits. The Church has not experienced any losses in such accounts, and management does not believe it is exposed to any significant credit risks.

CHRIST FELLOWSHIP
Notes to Financial Statements

2 - Summary of Significant Accounting Policies (continued)

Compensated Absences - Employees of the Church, administrative and ministerial, are entitled to paid vacation 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.

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, 2020, the Church has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and does not expect this to change in the next twelve months.

3 - Liquidity and Availability of Resources

The Church operates under a budget for activities supported by tithes and offerings. Its Board of Elders (the “Board”) is responsible for monitoring the liquidity necessary to meet the Church’s operating needs and meets periodically throughout the year to evaluate the actual results of financial operations versus the budget. Additionally, the Church maintains several Board-designated and donor-restricted funds purposed for various activities of the Church. Church management, in accordance with Church policy and/or in collaboration with the Board, appropriates resources from Board-designated and donor-restricted funds as needed.

Financial assets available for general expenditure, that is, without donor restrictions limiting their use or without requiring specific action of the Board, within one year of the date of the statement of financial position are comprised of the following:

Cash and cash equivalents	$ 1,933,374
Cash restricted for long-term purposes	140,254
	2,073,628
Donor-restricted funds	(727,351)
Board-designated funds	(900,395)
Financial assets available to meet general expenditure needs within one year	$ 445,882

4 - Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows for the year ended June 30, 2020:

Cash and cash equivalents	$ 1,933,374
Cash restricted for long-term purposes	140,254
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$ 2,073,628

CHRIST FELLOWSHIP
Notes to Financial Statements

5 - Property and Equipment

Property and equipment as of June 30, 2020 is comprised of the following:

Land	$ 835,576
Buildings and improvements	25,014,327
Furniture, fixtures and equipment	3,424,496
Vehicles	8,100
	29,282,499
Less: accumulated depreciation	(9,966,220)
Net property and equipment	$ 19,316,279

6 - Deferred Insurance Claim Proceeds

The Church received insurance claim proceeds related to roof damages that approximates the amount of any asset impairment. Instead of recording income for the proceeds and also recording a loss for impairment, management has chosen to report the proceeds as a liability. The restoration process began in 2020, and the liability balance as of June 30, 2020 represents the value of the Church's commitments as of that date to restore the roofs to their previous level of functionality in the near future.

7 - Notes Payable

The Church is obligated under a $15,000,000 construction loan agreement with a financial institution. The related promissory note provides for an interest rate of 3.25% through October 2021, 3.50% through July 2024, and regular adjustments thereafter to the Prime Rate as of March 31 each year effective as of July 1. The rate adjustments will be subject to the following collars:

	Floor	Ceiling
7/1/2024 - 6/30/2027	3.50%	4.35%
7/1/2027 - 6/30/2030	3.50%	5.25%
7/1/2030 - 6/30/2033	3.50%	6.00%
7/1/2033 - 10/18/2036	3.50%	6.50%

Payments were interest only through October 2019 followed by monthly payments of principal and interest to affect a 25-year amortization. All unpaid principal and interest will be due at maturity in October 2036. The loan is collateralized by various assets owned by the Church. The balance outstanding at June 30, 2020 was $11,458,454.

Future principal obligations on this note, as of June 30, 2020, are due as follows:

Year Ending June 30,	
2021	$ 320,058
2022	324,155
2023	332,217
2024	343,041
2025	645,210
Thereafter	9,493,773
	$ 11,458,454

CHRIST FELLOWSHIP
Notes to Financial Statements

7 - Notes Payable (continued)

In April 2020, the Church obtained a note payable under the Small Business Administration ("SBA") Paycheck Protection Program (the "Program") of the CARES Act in the amount of $597,330. The note requires monthly payments of principal and interest beginning in November 2020, with a fixed interest rate of 1.00%, and matures in April 2022. At June 30, 2020, the note had an outstanding balance of $597,330.

Under the Program, all or a portion of the note payable may be forgiven for amounts that are used for the qualifying purposes under the SBA requirements. Church management estimates that the full amount will be forgiven; therefore, this note is not included in the schedule of future maturities above.

8 - Line of Credit

The Church has a revolving line of credit agreement with a lending institution that provides for maximum borrowings of $150,000. The line of credit has a variable interest rate equal to the Prime Rate (3.25% at June 30, 2020) with collars of 3.50% and 5.75% and a maturity date of October 18, 2020. There was no balance outstanding on the line of credit at June 30, 2020.

9 - Net Assets Without Donor Restrictions

The balance of net assets without donor restrictions as of June 30, 2020 includes net assets designated by the Board for the following purposes:

Reserve Fund	$ 497,058
Missions Fund 1	137,609
Mortgage Fund	123,600
Medical/Dental/Other	63,387
RMR Fund	60,886
Worship RMR/Enhance	13,779
Worker's Compensation Insurance	4,076
	$ 900,395

10 - Net Assets With Donor Restrictions

The balance of net assets with donor restrictions as of June 30, 2020 relates to certain contributions for which the donors have imposed purpose restrictions. These restrictions require the Church to use such funds for expenditures directly related to various activities as follows:

Community Impact Ministries	$ 165,137
Ministry Expansion Fund	140,254
AVL Upgrade	118,406
Missions Funds	95,263
Love Fund	89,517
Global Projects	44,472
Residents/Local Missionary	43,333
Other	30,969
	$ 727,351

During the year ended June 30, 2020, net assets with donor restrictions in the amount of $462,280 had been expended in accordance with donor restrictions and have been reclassified to net assets without donor restrictions.

CHRIST FELLOWSHIP
Notes to Financial Statements

11 - Operating Lease

The Church has a non-cancelable operating lease for certain office equipment. The following is a schedule of future minimum rentals under the lease for the year ended June 30, 2020:

Year Ending June 30,		
2021	$	33,114
2022		33,114
2023		33,114
2024		24,836

Rent expense for year ended June 30, 2020 totaled approximately $34,241.

12 - Retirement Plan

The Church contributes to a Section 403(b) retirement plan with Envoy Financial for all full-time employees. The contributions for the year ended June 30, 2020 were $72,721.

13 - Subsequent Events

Subsequent events have been evaluated through October 23, 2020, which is the date the financial statements were available to be issued.

In July 2020, the Church entered into a contract for Audio, Video and Theatrical Lighting ("AVL") equipment upgrades in the amount of $264,921. The project is estimated to be completed before the end of calendar year 2020.