

**MY REAL LIFE CHURCH, LLC**

Austin, Texas

Financial Statements

Year Ended August 31, 2023

**MY REAL LIFE CHURCH, LLC**

Financial Statements  
Year Ended August 31, 2023

TABLE OF CONTENTS

	<u>Page</u>
Independent Accountants' Review Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 11



## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of  
My Real Life Church, LLC  
Austin, Texas

We have reviewed the accompanying financial statements of My Real Life Church, LLC (the "Church"), which comprise the statement of financial position as of August 31, 2023, 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 Church 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 My Real Life Church, LLC 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.

*PSK LLP*

Arlington, Texas  
November 1, 2023

**MY REAL LIFE CHURCH, LLC**

## Statement of Financial Position

August 31, 2023

## ASSETS

Assets	
Cash and cash equivalents	\$ 2,650,274
Restricted Cash	10,000
Physical properties, net	<u>14,092,519</u>
Total assets	<u>\$ 16,752,793</u>

## LIABILITIES AND NET ASSETS

Liabilities	
Credit card and other payables	\$ 27,611
Notes payable	<u>9,567,624</u>
Total liabilities	<u>9,595,235</u>
Net assets	
Without donor restrictions	6,633,562
With donor restrictions	<u>523,996</u>
Total net assets	<u>7,157,558</u>
Total liabilities and net assets	<u>\$ 16,752,793</u>

*See independent accountants' review report.*

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

**MY REAL LIFE CHURCH, LLC**Statement of Activities  
Year Ended August 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Contributions	\$ 3,761,927	\$ 537,871	\$ 4,299,798
Event income	53,932	-	53,932
Other income	136,183	-	136,183
Net assets released from restriction	<u>490,859</u>	<u>(490,859)</u>	<u>-</u>
Total revenues and other support	<u>4,442,901</u>	<u>47,012</u>	<u>4,489,913</u>
Expenses			
Programs	2,393,492	-	2,393,492
Supporting services	<u>1,200,387</u>	<u>-</u>	<u>1,200,387</u>
Total expenses	<u>3,593,879</u>	<u>-</u>	<u>3,593,879</u>
Change in net assets	849,022	47,012	896,034
Net assets at beginning of the year	<u>5,784,540</u>	<u>476,984</u>	<u>6,261,524</u>
Net assets at end of the year	<u>\$ 6,633,562</u>	<u>\$ 523,996</u>	<u>\$ 7,157,558</u>

*See independent accountants' review report.*

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

**MY REAL LIFE CHURCH, LLC**  
Statement of Functional Expenses  
Year Ended August 31, 2023

	<u>Programs</u>	<u>Supporting Services</u>	<u>Total</u>
Personnel	\$ 782,343	\$ 442,664	\$ 1,225,007
Support for others	271,992	-	271,992
Supplies and resources	505,697	286,134	791,831
Facilities	277,805	157,188	434,993
Depreciation	265,223	150,069	415,292
Interest	290,432	164,332	454,764
	<u>\$ 2,393,492</u>	<u>\$ 1,200,387</u>	<u>\$ 3,593,879</u>

*See independent accountants' review report.*

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

**MY REAL LIFE CHURCH, LLC**

Statement of Cash Flows

Year Ended August 31, 2023

Cash flows from operating activities	
Change in net assets	\$ 896,034
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:	
Depreciation	415,292
Increase in accounts payable	<u>696</u>
Net cash and cash equivalents provided by operating activities	<u>1,312,022</u>
Cash flows from investing activities	
Purchase of physical properties	<u>(249,649)</u>
Cash flows from financing activities	
Payments on long-term debt	<u>(221,087)</u>
Net increase in cash and cash equivalents	841,286
Cash and cash equivalents at beginning of the year	<u>1,808,988</u>
Cash and cash equivalents at end of the year	<u>\$ 2,650,274</u>
Supplemental disclosures of cash flow information:	
Cash paid for interest	<u>\$ 454,764</u>

*See independent accountants' review report.*

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

**MY REAL LIFE CHURCH, LLC**  
Notes to Financial Statements

## 1 - Historical Background

My Real Life Church, LLC (the “Church”) exists to reflect Jesus, changing the world one community at a time. The Church has two physical campuses, in Austin and Corpus Christi, and a large online campus, where it provides worship services as well as adult and children programs.

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

## 2 - 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. The financial statements of the Church have been prepared using accounting principles generally accepted in the United States of America (“US GAAP”).

Adoption of New Accounting Standard - In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a right-of-use asset and a lease liability for most leases on the statement of financial position as well as other qualitative and quantitative disclosures. ASU 2016-02 is to be applied using a modified retrospective method and became effective for the Church on September 1, 2022. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing organizations to recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption, with no restatement of comparative prior periods required. The Church adopted the standard using this optional transition method.

The FASB has provided certain practical expedients in applying the standard. Of the allowed practical expedients within the standard, the Church elected the package of practical expedients which, among other things, allowed for historical lease classification to be carried forward upon adoption of the standard. The Church did not elect the hindsight practical expedient when determining the lease term for existing leases. In addition, the Church did not separate non-lease components from lease components by class of underlying assets where appropriate and the Church did not apply the recognition requirements of the standard to short-term leases with an initial term of 12 months or less, as allowed by the standard. The adoption of the standard had no impact on the Church’s financial statements as of September 1, 2022.

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 contributions from Church membership.

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

*See independent accountants’ review report.*



**MY REAL LIFE CHURCH, LLC**  
Notes to Financial Statements

**2 - Summary of Significant Accounting Policies (continued)**

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.

Compensated Absences - Employees of the Church, administrative and ministerial, are entitled to paid vacation depending on 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 Tax Status - 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 August 31, 2023, 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.

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.

Cash and Cash Equivalents - For purposes of reporting cash flows, the Church considers all bank deposits and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

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	10 - 40 years
Furniture, fixtures and equipment	3 - 20 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 \$10,000 are capitalized.

**MY REAL LIFE CHURCH, LLC**  
Notes to Financial Statements

## 2 - Summary of Significant Accounting Policies (continued)

Leases - The Church recognizes a right-of-use asset and a lease liability on the effective date of a lease agreement. Right-of-use assets represent the right to use an underlying asset over the lease term and lease liabilities represent the obligation to make lease payments resulting from the lease agreement. The Church initially records these assets and liabilities based on the present value of lease payments over the lease term calculated using its incremental borrowing rate applicable to the leased asset or the implicit rate within the lease agreement if it is readily determinable. Lease agreements with lease and non-lease components are combined as a single lease component. Right-of-use assets additionally include net prepaid lease expenses. Options to extend or terminate an agreement are included in the lease term when it becomes reasonably certain the option will be exercised. Leases with an initial term of 12 months or less, short-term leases, are not recorded on the statement of financial position for all underlying asset classes. Lease expense for short-term and long-term operating leases is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred. The Church did not have right-of-use assets and lease liabilities as of August 31, 2023.

Functional Allocation of Expenses - The accompanying financial statements report certain categories of expenses that are attributed to programs or supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Some expenses, including office, building, and worship, are directly identifiable and charged to programs and supporting accordingly. Allocations of significant costs, including personnel and related expenses, are based on estimates of time and effort. Insurance is allocated based on estimate of related coverage. Supporting expenses include those expenses that are not directly identifiable to any other specific function but provide for the overall support and direction of the Church.

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

Subsequent Events - Subsequent events have been evaluated through November 1, 2023, which is the date the financial statements were available to be issued.

## 3 - Liquidity and Availability of Resources

The Church operates under a budget for activities supported by unrestricted contributions. Its Board of Directors (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	\$ 2,650,274
Donor-imposed restrictions	(523,996)
Board-imposed designations	<u>(988,213)</u>
Financial assets available to meet general expenditure needs within one year	<u>\$ 1,138,065</u>

*See independent accountants' review report.*

**MY REAL LIFE CHURCH, LLC**  
Notes to Financial Statements

#### 4 - Restricted Cash

Restricted cash includes amounts that are contractually restricted and required to be held in a separate account in the amount of \$10,000.

#### 5 - Physical Properties

As of August 31, 2023, physical properties are comprised of the following:

Land	\$ 3,702,401
Buildings and improvements	11,138,044
Furniture, fixtures, and equipment	737,959
Accumulated depreciation	<u>(1,485,885)</u>
Physical properties, net	<u>\$ 14,092,519</u>

Depreciation expense for the year ended August 31, 2023 amounted to \$415,292.

#### 6 - Notes Payable

##### *Construction Loan Payable*

On September 17, 2019, the Church obtained a \$9,495,804 construction loan structured as a non-replenishable line of credit through the construction phase with a financial institution (the "Bank"). Interest only was payable monthly until construction was complete.

On January 17, 2022, the construction loan was refinanced to a permanent loan at 5.25% interest that matures on September 17, 2034. At which time, the principal balance and any unpaid interest is due in full. Interest only payments were made through August 16, 2022. Monthly principal and interest payments of \$49,665 started on September 14, 2022. The outstanding principal balance as of August 31, 2023 was \$8,087,596. The loan is secured by a first deed of trust on the property. The loan requires various financial reports be provided to the Bank throughout the year and at year end. The Church is in compliance with all terms originally stated in the loan agreement or revised terms with the full knowledge and consent of the Bank.

##### *Other Notes Payable*

On October 3, 2019, the Church entered into a loan with two individuals for the acquisition of real property in the amount of \$1,000,000. The loan bears interest at a rate of 6.0% per annum. Interest payments are due quarterly and principal is due on October 3, 2024. The loan is secured by a vendor's lien and deed of trust covering the purchased property. The outstanding principal balance as of August 31, 2023 was \$1,000,000.

On June 16, 2020, the Church was granted an Economic Injury Disaster Loan from the Small Business Administration (SBA) in the amount of \$150,000. The loan bears interest at a rate of 2.75% per annum. Monthly principal and interest payments in the amount of \$641 were to begin June 16, 2022 with the balance due June 16, 2050. The Church has granted the SBA a security interest in all tangible and intangible personal property the Church now owns or shall acquire or create immediately upon the acquisition or creation thereof. On November 29, 2021, the Church received an additional \$350,000. At that time monthly payments increased to \$2,208. The Church was allowed another extension of time to begin monthly principal and interest payments, which began in January 2023. The outstanding principal balance as of August 31, 2023 was \$480,028.

*See independent accountants' review report.*

**MY REAL LIFE CHURCH, LLC**  
Notes to Financial Statements

**6 - Notes Payable (continued)**

Future maturities of the notes payable, based on the rates in effect at August 31, 2023, are scheduled as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2024	\$ 1,205,940
2025	199,743
2026	210,126
2027	221,058
2028	232,567
Thereafter	<u>7,498,190</u>
	<u><u>\$ 9,567,624</u></u>

**7 - Retirement Plan**

The Church has a 403(b) defined contribution retirement plan for eligible employees, whereby it contributes 2% of full-time employees' eligible compensation. The Church's contributions to the plan for the year ended August 31, 2023 totaled \$39,779.

**8 - Net Assets Without Donor Restrictions**

The Board of Directors has designated certain net assets without donor restrictions to be set aside for various needs of the Church. These amounts have been included in the net assets without donor restrictions balance shown on the statement of financial position. As of August 31, 2023, the Board had designated funds as follows:

Lead Pastor Discretionary	\$ 302,645
Eng Impr SPID Land	100,000
Traffic Contingency	50,000
PWS Facility Reserve	10,000
Seeds	<u>525,568</u>
	<u><u>\$ 988,213</u></u>

*See independent accountants' review report.*

**MY REAL LIFE CHURCH, LLC**  
Notes to Financial Statements

**9 - Net Assets With Restrictions**

The balance of net assets with restrictions as of August 31, 2023 relates to certain contributions for which the donor has imposed restrictions. These restrictions require the Church to use such funds for expenses directly related to Church activities that correspond to the donor's wishes. Net assets with restrictions consisted of the following as of August 31, 2023:

A Place to Call Home	\$ 9,688
Legacy Fund	2,531
Driven by Love	411,599
Benevolence	64,048
Missions	13,793
Israel Tour	9,432
Student Discretionary	12,905
	<u>\$ 523,996</u>

**10 - Related Party**

During the year ended August 31, 2023, the Church reimbursed \$146,688 to an entity owned by an executive-level employee and a Church Board member for the development costs of the Corpus Christi Building.