

**NORTHEAST BIBLE EVANGELICAL FREE CHURCH**

**Audited Financial Statements**

**December 31, 2009**

**AKIN, DOHERTY, KLEIN & FEUGE, P.C.**  
*Certified Public Accountants*

**NORTHEAST BIBLE EVANGELICAL FREE CHURCH**  
**Table of Contents**  
**December 31, 2009**

	<u>Page</u>
<b>Audited Financial Statements</b>	
Report of Independent Auditors	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Audited Financial Statements	6



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Certified Public Accountants

Registered with AICPA and  
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Oversight Board

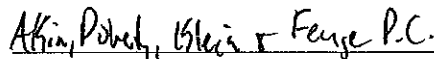
**REPORT OF INDEPENDENT AUDITORS**

To the Board of Elders  
Northeast Bible Evangelical Free Church  
Garden Ridge, Texas

We have audited the accompanying statement of financial position of Northeast Bible Evangelical Free Church as of December 31, 2009, and the related statements of activities, changes in nets assets and cash flows for the year then ended. These financial statements are the responsibility of the Church's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the statement of financial position of Northeast Bible Evangelical Free Church as of December 31, 2009, and its activities and cash flows for the year then ended, in accordance with generally accepted accounting principles.

  
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Akin, Doherty, Klein & Feuge, P.C.  
San Antonio, Texas  
April 23, 2010

**NORTHEAST BIBLE EVANGELICAL FREE CHURCH**  
**Statement of Financial Position**  
**December 31, 2009**

**ASSETS**

Cash and cash equivalents	\$ 443,767
Property, Buildings and Equipment:	
Land	480,281
Buildings and improvements	6,871,862
Furniture and fixtures	469,939
Vehicles and landscape equipment	45,716
Total property, buildings and equipment	<u>7,867,798</u>
Less accumulated depreciation	<u>(225,321)</u>
Net property, buildings and equipment	<u>7,642,477</u>
 <b>Total Assets</b>	 <b><u><u>\$ 8,086,244</u></u></b>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Designated to NEBC programs	\$ 12,962
Administrative payables	7,384
Long-term debt	3,528,555
Total liabilities	<u>3,548,901</u>
Net Assets:	
Unrestricted, general fund	45,388
Board designated:	
Deacon benevolence fund	49,406
Building fund	295,698
Outreach fund	32,929
Investment in fixed assets, net of long-term debt	<u>4,113,922</u>
Total net assets	<u>4,537,343</u>
 <b>Total Liabilities and Net Assets</b>	 <b><u><u>\$ 8,086,244</u></u></b>

*See notes to audited financial statements.*

**NORTHEAST BIBLE EVANGELICAL FREE CHURCH**  
**Statement of Activities**  
**Year Ended December 31, 2009**

	<u>General Fund</u>	<u>Building and Other Designated Funds</u>	<u>Total</u>
<b>Support and Revenues</b>			
General fund donations	\$ 1,250,963	\$ -	\$ 1,250,963
Building fund donations	-	268,742	268,742
Deacon benevolence fund donations	-	29,809	29,809
Outreach fund donations	-	14,335	14,335
Interest income	358	2,136	2,494
Total support and revenues	<u>1,251,321</u>	<u>315,022</u>	<u>1,566,343</u>
<b>Expenses</b>			
Children's ministry	33,723	-	33,723
Student ministry	24,054	-	24,054
Adult spiritual growth	6,495	-	6,495
Connection	2,080	-	2,080
Worship	16,523	-	16,523
Deacon benevolence ministries	-	30,311	30,311
Outreach, general fund	168,805	-	168,805
Outreach fund	-	21,663	21,663
Administration	82,982	-	82,982
Facilities and operations	89,941	-	89,941
Personnel	805,152	-	805,152
Interest	-	225,534	225,534
Building expenses, cash	-	151,972	151,972
Depreciation, noncash	-	225,321	225,321
Total expenses	<u>1,229,755</u>	<u>654,801</u>	<u>1,884,556</u>
<b>Change in Net Assets</b>	<u>\$ 21,566</u>	<u>\$ (339,779)</u>	<u>\$ (318,213)</u>

*See notes to audited financial statements.*

NORTHEAST BIBLE EVANGELICAL FREE CHURCH

Statement of Changes in Net Assets

Year Ended December 31, 2009

	Board Designated						Total Net Assets
	Unrestricted, General Fund	Deacon Benevolence Fund	Building Fund	Outreach Fund	Restricted Fund	Investment In Fixed Assets	
Net Assets at Beginning of Year, as previously reported	\$ 23,822	\$ 49,908	\$ (3,116,669)	\$ 40,257	\$ 6,300	\$ 7,900,000	\$ 4,903,618
Reclassifications and fund transfers	-	-	3,518,995	-	(6,300)	(3,560,757)	(48,062)
Net Assets at Beginning of Year, as restated	23,822	49,908	402,326	40,257	-	4,339,243	4,855,556
Change in net assets	21,566	(502)	(106,628)	(7,328)	-	(225,321)	(318,213)
Net Assets at End of Year	\$ 45,388	\$ 49,406	\$ 295,698	\$ 32,929	\$ -	\$ 4,113,922	\$ 4,537,343

See notes to audited financial statements.

**NORTHEAST BIBLE EVANGELICAL FREE CHURCH**  
**Statement of Cash Flows**  
**Year Ended December 31, 2009**

<b>Operating Activities</b>	
Change in net assets	\$ (318,213)
Adjustment to reconcile change in net assets to cash provided (used) by operating activities:	
Depreciation	225,321
Change in operating assets and liabilities:	
Designated to NEBC programs	6,661
Accounts payable	(2,477)
Net cash (used) by operating activities	<u>(88,708)</u>
<b>Financing Activities</b>	
Repayments on long-term debt	<u>(255,654)</u>
Net cash (used) by financing activities	<u>(255,654)</u>
Net change in cash	(344,362)
Cash and cash equivalents at beginning of year	<u>788,129</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 443,767</u></u>

*See notes to audited financial statements.*

**NORTHEAST BIBLE EVANGELICAL FREE CHURCH**  
**Notes to Audited Financial Statements**  
**December 31, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization:* Northeast Bible Evangelical Free Church (the "Church" or "NEBC") declared the Church as an active member of the fellowship of the Evangelical Free Church of America on September 27, 1981 and operates as a religious organization in Garden Ridge, Texas. The Church, located at 19185 FM 2252, is supported by the gifts from its congregation.

*Basis of Accounting and Presentation of Financial Statements:* The accompanying financial statements have been prepared following U. S. generally accepted accounting principles.

*Contributions and Pledges:* Contributions, donations and pledges are recorded as an increase to cash and as a liability or revenue upon receipt. As is customary for many church's, member pledges are not accrued, but are recognized as support only upon receipt. Such amounts generally fall within one of two categories, as follows:

*Undesignated:* General contributions, donations and pledges to NEBC that do not have donor-imposed stipulations are recorded as revenue when received.

*Board Designated:* Includes contributions, donations and pledges to NEBC programs as well as the building fund.

*Cash and Cash Equivalents:* Cash and cash equivalents consist of cash on hand, demand deposits held by financial institutions and equivalent securities with a maturity of three months or less.

*Property, Buildings and Equipment:* Property, buildings, and equipment are valued at historical cost if purchased, or estimated fair market value if gifted to the Church. Expenditures for betterments that materially extend the useful life of an asset are capitalized. Depreciation is recorded using straight-line method over the estimated useful lives of the related assets (generally ten years for furniture and equipment and forty years for buildings). Depreciation expense amounted to \$225,132 in 2009.

*Advertising:* Advertising costs are expensed as incurred and totaled approximately \$6,000 in 2009.

*Federal Income Taxes:* Northeast Bible Evangelical Free Church is a not-for-profit organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Donors of money and/or property are entitled to the maximum charitable contribution deduction under the law. The Church is exempt from Texas margin tax.

*Retirement and Savings Plan:* The Church provides a 403(b)(9) plan for its full-time staff members. Employees may elect to contribute 1% to 15% of their compensation to the Plan not to exceed the legal limit of \$15,500. The Church provided a match of approximately \$15,000 in 2009.

*Subsequent Events:* Subsequent events have been evaluated by management through the date of the report of the independent auditors. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

**NORTHEAST BIBLE EVANGELICAL FREE CHURCH**  
**Notes to Audited Financial Statements**  
**December 31, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

*New Accounting Pronouncements:* Management is not aware of any new accounting pronouncements that have been released, and are not yet effective, which will have a significant impact to its financial position or results of activities in future periods.

*Use of Estimates:* The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Concentrations of Risk:* Financial instruments that potentially subject the Church to concentrations of credit risk consist principally of cash. The Church places its temporary cash investments with major financial institutions which, from time-to-time, may exceed federally insured limits. The Church periodically assesses the financial institutions and believes the risk of loss is minimal. At December 31, 2009, the Church had deposits in excess of federal insurance protection totaling approximately \$37,400.

**NOTE B – BUILDING CAMPAIGN**

The Church completed the *For His Cause* building campaign for the construction of the Early Children's building and the Student Ministries building. The buildings were completed in October 2008. The cost of the buildings, furniture, and equipment has been capitalized as fixed assets, which includes \$210,335 of capitalized interest.

**NORTHEAST BIBLE EVANGELICAL FREE CHURCH**  
**Notes to Audited Financial Statements**  
**December 31, 2009**

**NOTE C - LONG-TERM DEBT**

Long-term debt consists of the following at December 31, 2009:

Note payable to the Christian Investors Foundation, payable in monthly installments of principal and interest through August 2034, collateralized by land and building. See below. \$ 3,528,555

*Christian Investors Foundation Note Payable:* The note is payable at the initial rate of 5.75% through August 2014 at which time the interest rate changes to the index plus 3%. The interest rate will be adjusted on the anniversary of that day every 60 months.

Maturities of long-term debt will result in the following payments of principal and interest (using interest rates in effect at year-end) over the next 5 years:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$66,851	\$201,148	\$267,999
2011	70,798	197,201	267,999
2012	74,978	193,021	267,999
2013	79,404	188,595	267,999
2014	84,092	183,907	267,999

*Revolving Line of Credit:* On January 4, 2010, the Church obtained an unsecured revolving line of credit of \$25,000 from American Bank of Texas with interest at 8.0%, and maturity on January 4, 2011. The Church had not borrowed against the line as of the date of the report of the independent auditors.

**NOTE D -- LEASES**

The Church leases certain office equipment under a lease that expires in 2013. The Church incurred rent expense for office equipment of approximately \$18,000 in 2009. The Church also leases a billboard for approximately \$4,000 in 2009. The lease for the billboard will expire July 2010.

Future minimum lease payments required under all noncancelable leases are as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2010	\$12,890
2011	10,140
2012	10,140
2013	5,070