

# PROSPECTUS

**\$17,000,000**  
**KEYSTONE CHURCH**  
**Keller, Texas**

**(Book-Entry Only)**

## First Mortgage Bonds, 2019 Series

**Dated November 4, 2019**

Payment of the interest on and principal of the First Mortgage Bonds, 2019 Series, dated November 4, 2019 (the "2019 Series Bonds") is solely the responsibility of Keystone Church, 100 Quest Court, Keller, Texas 76248 (the "Church" and sometimes "Issuer"), 817-431-8800, a Texas non-profit corporation.

The 2019 Series Bonds will be issued under and secured by a Trust Indenture dated as of November 4, 2019 (the "Trust Indenture") between the Church and TMI Trust Company (the "Trustee"), 901 Summit Avenue Fort Worth, Texas 76102, telephone 800-580-2933. The Trustee will serve as paying agent for the 2019 Series Bonds. The 2019 Series Bonds will also be secured by a Deed of Trust (the "Deed of Trust") dated November 4, 2019, by the Church, as trustor, and Trinity Title of Texas, Colleyville, Texas, as trustee, for the benefit of TMI Trust Company, as beneficiary, with regard to the New Church Site.

The 2019 Series Bonds initially will be issued solely in book-entry form to be held in the book-entry only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such book-entry system is used, only Cede & Co., as nominee of the DTC, will receive or have the right to receive physical delivery of the 2019 Series Bonds and, except as otherwise provided in this Prospectus with respect to Beneficial Owners. Beneficial Owners will not be or considered to be, and will not have any rights as owners or holders of the 2019 Series Bonds under the Trust Indenture until Cede & Co. is no longer the Registered Owner, as described herein.

Beneficial Interests in the 2019 Series Bonds will be sold in denominations of \$1,000. As underwriter, Stifel, Nicolaus & Company, Incorporated may elect to require a \$5,000 minimum purchase during the initial public offering of the 2019 Series Bonds. Interest will be payable by the Trustee on each May 4 and November 4, beginning May 4, 2020, to the Registered Owners of the 2019 Series Bonds as of the applicable interest payment dates and then by Stifel to the Beneficial Owners as of the same applicable dates. See "The 2019 Series Bonds."

## Maturity Schedule and Interest Rates

This series of 2019 Series Bonds will be sold in the following amounts with the following maturities, paying the following rates:

Maturity	Amount	Rate	Maturity	Amount	Rate
Nov. 4, 2024	\$1,208,000	4.25%	Nov. 4, 2034	\$ 3,202,000	5.80%
Nov. 4, 2026	899,000	4.80%	Nov. 4, 2044	10,158,000	6.25%
Nov. 4, 2029	1,533,000	5.50%			

The 2019 Series Bonds may be redeemed in whole on any day of any month at the option of the Church without penalty. The 2019 Series Bonds may be redeemed in part on the first day of any month in multiples of \$1,000, at the option of the Church without penalty or prepayment premium.

The 2019 Series Bonds having a stated maturity of November 4, 2024, are subject to mandatory redemption by the Church beginning on May 4, 2022. The 2019 Series Bonds having a stated maturity of November 4, 2026, are subject to mandatory redemption by the Church beginning on May 4, 2025. The 2019 Series Bonds having a stated maturity of November 4, 2029, are subject to mandatory redemption by the Church beginning on May 4, 2027. The 2019 Series Bonds having a stated maturity of November 4, 2034, are subject to mandatory redemption by the Church beginning on May 4, 2030. The 2019 Series Bonds having a stated maturity of November 4, 2044, are subject to mandatory redemption by the Church beginning on May 4, 2035.

For details see "The 2019 Series Bonds — Redemption at Option of the Church" and "The 2019 Series Bonds — Mandatory Redemption Provisions."

	Price to Public	Underwriting Discount <sup>(1)</sup>	Proceeds to Church <sup>(2)</sup>
Per Bond . . . . .	100%	5.25%	94.75%
Total . . . . .	\$17,000,000	\$892,500	\$16,107,500

(1) The Underwriting Discount on the Beneficial Interests in the 2019 Series Bonds purchased by the general public will be 5.25%. See "Underwriting," herein.

(2) Before deducting expenses to be reimbursed to the Underwriter estimated at \$98,000, and before deducting a referral fee of \$212,500 to be paid by the Church to Share Holdings, Inc., Dallas, Texas ("Share Financial"). See "Use of Proceeds," herein.

**IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN MADE BY THE ISSUER.**

THIS OFFERING IS SUBJECT TO CERTAIN RISKS (see "Risk Factors" on pages 7-10).

There has been no quoted market for the Church's 2019 Series Bonds. However, Stifel, Nicolaus & Company, Incorporated ("Stifel") may effect secondary market transactions upon compliance with applicable securities laws. Neither the Church nor Stifel is obligated to repurchase any Beneficial Interests in any 2019 Series Bonds at the request of the holder.

Beneficial Interests in the 2019 Series Bonds are offered by Stifel subject to receipt and acceptance by it and the right to reject any order in whole or in part. Delivery of the 2019 Series Bonds will be made to DTC, as Registered Owner, on or about November 4, 2019.





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## FOR RESIDENTS OF ALL STATES

This Prospectus does not constitute an offer to sell the 2019 Series Bonds or any Beneficial Interests in the 2019 Series Bonds in any jurisdiction to any person to whom it is unlawful to make an offer. No dealer, salesman or any other person has been authorized to give any information or make any representation, other than those contained in this Prospectus, in connection with the offering of the 2019 Series Bonds or any Beneficial Interests in the 2019 Series Bonds, and, if given or made, that information or representation must not be relied upon. Neither the delivery of this Prospectus nor the sale of any of the 2019 Series Bonds or any Beneficial Interests in the 2019 Series Bonds implies that there has been no change in the matters described in this Prospectus since its date.

In addition to historical information, this Prospectus contains forward-looking statements, which may be identified by use of words such as “expects,” “anticipates,” and similar expressions. These statements express the Church’s expectations at the time this Prospectus was issued. Actual events and results may differ materially from those described in the forward-looking statements. Among the factors that could cause material differences are significant declines in contributions by the Church’s membership and/or attendees, a significant decline in membership or attendees of the Church, or the loss of the Senior Pastor’s services. The Church undertakes no obligation to update or revise any forward-looking statement.

These securities have not been registered with the United States Securities and Exchange Commission, being exempt securities under Section 3(a)(4) of the Securities Act of 1933, as amended. The registration or qualification of the 2019 Series Bonds in accordance with applicable provisions of securities laws of the states where the 2019 Series Bonds have been registered or qualified should not be regarded as a recommendation of the 2019 Series Bonds. Neither these states nor any of their agencies have guaranteed or passed upon the safety of the 2019 Series Bonds as an investment or on the probability of any earnings. Neither these states nor any of their agencies guarantee that this Prospectus does not omit any material facts or that it is true and correct.

### ALABAMA RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 37(h) [see Section 8-6-10, Code of Alabama, 1975] OF THE ALABAMA SECURITIES ACT AND SECTION 3(a)(4) OF THE SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ALABAMA SECURITIES COMMISSION OR WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. NEITHER THE ALABAMA SECURITIES COMMISSION NOR THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

### CALIFORNIA RESIDENTS

ACTION OF COMMISSIONER NOT ENDORSEMENT – NEITHER (1) THE FACT THAT AN APPLICATION FOR QUALIFICATION UNDER CALIFORNIA LAW HAS BEEN FILED NOR (2) THE FACT THAT SUCH QUALIFICATION HAS BECOME EFFECTIVE CONSTITUTES A FINDING BY THE COMMISSIONER THAT ANY DOCUMENT FILED UNDER CALIFORNIA LAW IS TRUE, COMPLETE, OR NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT A NOTICE IS FILED FOR A SECURITY OR A TRANSACTION MEANS THAT THE COMMISSIONER HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION.

IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF BUSINESS OVERSIGHT OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER’S RULES.

AUTOMATIC RENEWAL UPON MATURITY OF A BOND, IF PROVIDED IN THIS PROSPECTUS, IS NOT AVAILABLE TO INVESTORS WHO ARE CALIFORNIA RESIDENTS. ALL CALIFORNIA INVESTORS WILL RECEIVE A MATURITY NOTICE AND A CURRENT PROSPECTUS WITHIN 30 DAYS OF EACH MATURITY DATE, AND CALIFORNIA INVESTORS WILL HAVE THE OPPORTUNITY TO NOTIFY THE CHURCH IF THEY INTEND TO RENEW THEIR INVESTMENTS. IF RENEWAL IS NOT REQUESTED, INVESTOR’S FUNDS WILL BE PROMPTLY RETURNED. RENEWALS CAN BE MADE ONLY IF THE CHURCH IS QUALIFIED TO MAKE SALES IN THE STATE OF CALIFORNIA.

THE CHURCH WILL NOT CREATE OR PERMIT TO BE CREATED ANY DIRECT OR INDIRECT INDEBTEDNESS OR OBLIGATION ON ITS PART WHICH SHALL BE SECURED IN WHOLE OR IN PART BY ANY LIEN OR ENCUMBRANCE OF ANY KIND WHATSOEVER, PRIOR TO OR ON A PARITY WITH THE LIEN OF THIS INDENTURE OR LIEN OF THE DEED OF TRUST, UPON THE TRUST ESTATE, EXCEPT FOR PERMITTED ENCUMBRANCES. SEE "THE 2019 SERIES BONDS - SECURITY"; SEE ALSO "SELECTED DEFINITIONS OF TERMS USED IN THIS PROSPECTUS" (FOR THE DEFINITION OF "PERMITTED ENCUMBRANCES").

#### **FLORIDA RESIDENTS**

THESE SECURITIES HAVE NOT BEEN REGISTERED FOR SALE IN THE STATE OF FLORIDA BEING EXEMPTED FROM REGISTRATION BY SECTION 517.05(9) OF THE FLORIDA STATUTES AND THE RULES THEREUNDER.

#### **INDIANA RESIDENTS**

THE INDIANA SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, THE SECURITIES HEREBY OFFERED, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

#### **KENTUCKY RESIDENTS**

THESE SECURITIES ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION KRS 292.400(9) OF THE KENTUCKY SECURITIES ACT. IN THE EVENT OF A DEFAULT IN PAYMENT OF PRINCIPAL OR INTEREST ON THESE SECURITIES THE DIRECTOR OF THE KENTUCKY DIVISION OF SECURITIES WILL BE TIMELY INFORMED OF ANY FAILURE TO CURE SAID DEFAULT WITHIN 60 DAYS OF ITS OCCURRENCE.

#### **LOUISIANA RESIDENTS**

THESE SECURITIES HAVE BEEN REGISTERED WITH THE SECURITIES COMMISSIONER OF THE STATE OF LOUISIANA. THE SECURITIES COMMISSIONER, BY ACCEPTING REGISTRATION, DOES NOT IN ANY WAY ENDORSE OR RECOMMEND THE PURCHASE OF ANY OF THESE SECURITIES.

#### **MISSOURI RESIDENTS**

THE MISSOURI SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATIONS OF THE SECURITIES HEREBY OFFERED, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE MISSOURI SECURITIES ACT UNDER THE EXEMPTION PROVIDED BY SECTION 409.2-201(7)(B) OF THE REVISED STATUTES OF MISSOURI. NO APPROVAL HAS BEEN GIVEN TO THE ISSUER, THESE SECURITIES, OR THE OFFER OR SALE THEREOF IN CONNECTION TO ANY MISSOURI RESIDENTS.

#### **NORTH CAROLINA RESIDENTS**

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE NORTH CAROLINA SECURITIES ACT, BEING EXEMPTED FROM REGISTRATION BY G.S. 78A-16(9) OF THE ACT. THE AVAILABILITY OF THAT EXEMPTION DOES NOT MEAN THAT THE SECURITIES ADMINISTRATOR HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, THE ISSUER, THESE SECURITIES OR THEIR OFFER AND SALE. ANY REPRESENTATION INCONSISTENT WITH THE FOREGOING IS UNLAWFUL.

#### **OHIO RESIDENTS**

AS PRESENTLY CONSTRUCTED, UNDER THE BOOK-ENTRY SYSTEM, PAYMENTS OF PRINCIPAL AND INTEREST MADE TO BENEFICIAL OWNERS WHICH ARE NOT CLAIMED, WILL ESCHEAT TO THE UNCLAIMED PROPERTY FUND OF THE STATE OF OHIO, IF THE STATE OF OHIO IS THE LAST KNOWN DOMICILE OF SUCH BENEFICIAL OWNER.

#### **PENNSYLVANIA RESIDENTS**

IF YOU HAVE ACCEPTED AN OFFER TO PURCHASE THESE SECURITIES AND HAVE RECEIVED A WRITTEN NOTICE EXPLAINING YOUR RIGHT TO WITHDRAW YOUR ACCEPTANCE UNDER SECTION 207(m)(2) OF THE PENNSYLVANIA SECURITIES ACT OF 1972, YOU MAY ELECT, WITHIN TWO BUSINESS DAYS FROM THE DATE

OF RECEIPT BY THE ISSUER OF YOUR BINDING CONTRACT OF PURCHASE OR, IN THE CASE OF A TRANSACTION IN WHICH THERE IS NO BINDING CONTRACT OF PURCHASE, WITHIN TWO BUSINESS DAYS AFTER YOU MAKE THE INITIAL PAYMENT FOR THE SECURITIES BEING OFFERED, TO WITHDRAW YOUR ACCEPTANCE AND RECEIVE A FULL REFUND OF ALL MONEYS PAID BY YOU. YOUR WITHDRAWAL OF ACCEPTANCE WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH THIS WITHDRAWAL, YOU NEED ONLY SEND A WRITTEN NOTICE (INCLUDING A NOTICE BY FACSIMILE OR ELECTRONIC MAIL) TO THE ISSUER (OR PLACEMENT AGENT IF ONE IS LISTED ON THE FRONT PAGE OF THE OFFERING MEMORANDUM) INDICATING YOUR INTENTION TO WITHDRAW.

#### **SOUTH CAROLINA RESIDENTS**

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES SECTION OF THE OFFICE OF THE ATTORNEY GENERAL OF SOUTH CAROLINA BEING EXEMPT UNDER 35-1-201(7) OF THE CODE OF LAWS OF SOUTH CAROLINA, 2005. THE EXEMPTION OF THESE SECURITIES DOES NOT SIGNIFY THAT THE SECURITIES SECTION OF THE OFFICE OF THE ATTORNEY GENERAL OF SOUTH CAROLINA HAS APPROVED OR RECOMMENDED THESE SECURITIES NOR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

#### **TENNESSEE RESIDENTS**

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

#### **WASHINGTON RESIDENTS**

THE REGISTRATION OF THESE SECURITIES BY THE WASHINGTON ADMINISTRATOR OF SECURITIES DOES NOT SIGNIFY THAT THE ADMINISTRATOR HAS APPROVED OR RECOMMENDED THE SECURITIES NOR HAS THE ADMINISTRATOR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

## Summary

Keystone Church, a non-profit corporation, was incorporated under Texas law on September 9, 2005. The main ministry operations of the Church are presently conducted in leased facilities located at 1711 Keller Parkway, Keller, Texas 76248, and Church office space located adjacent to the ministry space at 100 Quest Court, Keller, Texas 76248 (collectively, the “Leased Site”). The Church’s telephone number is 817-431-8800. The Church’s website is [www.keystonechurch.com](http://www.keystonechurch.com). Such website reference is included herein for informational purposes only; information available on such website is not incorporated herein by reference.

In 2016, the Church purchased approximately 13.4 acres of land located less than one mile from the Leased Site at 1939 Keller Parkway, Keller, Texas 76248 (the “New Church Site”), on which it is completing the construction of an approximately 60,456 square foot ministry facility (collectively, the “Project” herein.) Proceeds of the 2019 Series Bonds will be used to complete the construction of the Project.

<b>(PRO-FORMA DEBT SERVICE COVERAGE)</b>	
Change in Net Assets Before Other Changes (For Year Ended December 31, 2018)	\$2,067,875*
Maximum Annual Debt Service on 2019 Series Bonds	\$1,393,600
<b>Pro-Forma Debt Service Coverage Ratio</b>	<b>1.48x*</b>

\* The Change in Net Assets Before Other Changes for the year ended December 31, 2018 figure of \$2,067,875 includes all revenue sources of the Church, which includes \$1,928,568 in funds received by the Church designated as Contributions With Donor Restrictions. Using the Change in Net Assets Before Other Changes for the year ended December 31, 2018, but excluding such Contributions With Donor Restrictions, would result in a pro-forma debt service coverage ratio of 0.10x. See “Risk Factors” No. 2 - No Assurance Regarding Future Fund Raising Campaigns and “Fund Raising Program” herein.

Also see “Management Discussion of Summary Statements of Activities,” herein for further discussion on the Pro-Forma Debt Service Coverage. The Pro-Forma Debt Service Ratio was computed by dividing the Change in Net Assets Before Other Changes for the year ended December 31, 2018, by the maximum annual principal and interest payments to be made on 2019 Series Bonds.

There are a variety of risk factors that investors should consider with respect to the 2019 Series Bonds. In particular, the payment of principal and interest to an investor in the Series 2019 Bonds is dependent on the Church’s financial condition, and no assurance can be made regarding the future financial condition of the Church. See “Risk Factors” below.

The proposed compensation and fees to be paid in connection with the 2019 Series Bonds are shown below:

<b>Compensation and Fees for 2019 Series Bonds</b>	
Stifel, Nicolaus & Company, Incorporated (Underwriter) Underwriting Discount	\$ 892,500
Quarles & Brady LLP (counsel to the Underwriter)	\$ 65,000
TMI Trust Company (Trustee)	\$ 12,700
Other Issuance Related Fees	\$ 232,800*
<b>Total Compensation and Fees</b>	<b>\$1,203,000</b>

\* The Church will pay Share Financial a referral fee of \$212,500 out of the Other Issuance Related Fees above. See “Use of Proceeds,” herein.

## Risk Factors

This Prospectus and the Risk Factors below may contain “forward looking statements” within the meaning of the Section 21E of the Securities Act of 1933 and Exchange Act of 1934, as amended, which involve certain risks and uncertainties. Forward looking statements predict or describe future operations, plans, strategies and the performance of and management of the Church. These forward looking statements are identified by their use of such terms and phrases as “intends,” “intend,” “intended,” “goal,” “estimate,” “estimates,” “expects,” “expect,” “expected,” “project,” “projected,” “projections,” “plans,” “seeks,” “anticipates,” “anticipated,” “should,” “could,” “may,” “will,” “designed to,” “foreseeable future,” “believe,” “believes” and “scheduled” and similar expressions. The Church’s actual results or outcomes may differ materially from those anticipated.

Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date the statement was made. The Church undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise. See “Other Financial Data.” However, the Church is obligated under the Trust Indenture to provide the Trustee with an audit report for all future fiscal years, containing financial statements of the Church, within 120 days after the close of each fiscal year and certain other additional information about material events affecting the Church, if and when they occur. See “Additional Information.”

**You should consider, among other things, the following factors in connection with the purchase of the Bonds or any Beneficial Interests herein.**

- 1. No Assurance of Sufficient Voluntary Contributions.** The Church is primarily dependent upon voluntary contributions by its members and attendees to meet expenses of operation and for payment of principal and interest on the 2019 Series Bonds and other indebtedness of the Church. There can be no assurance that future contributions will be sufficient to meet these obligations, and there is no guarantee that the Church will receive or collect monies representing pledges to any capital fundraising campaign, which in turn could have an adverse impact on the Church’s ability to make scheduled principal and interest payments on the 2019 Series Bonds. Contributions, including Capital Campaign Contributions, may decline for a variety of reasons, including but not limited to increased job losses, economic difficulties encountered by the Church members, or the general impact of the current economy. A failure to receive the amount of expected contributions would adversely affect the Church’s ability to repay the 2019 Series Bonds. See “Summary Statements of Activities,” “History and Operation — Statistics” and “Other Financial Data.”
- 2. No Assurance Regarding Future Fund Raising Campaigns.** The Church is currently conducting a three-year fund raising campaign called “Build This House” that began in 2017 and runs through 2019. The Church raised \$1,653,661 in 2017, and \$1,928,568 in 2018, for a cumulative total of \$3,582,229 as of December 31, 2018. The Church has plans to conduct an additional, follow-up capital campaign, the specific details of which are yet to be determined. Proposed plans entail either a two or three-year capital campaign that will begin in the Spring or Fall of 2020. There can be no assurance that the Church will hold other fund raising campaigns in the future, nor any assurance that future fund raising campaigns, if any, would be successful. See “Fund Raising Program” and “Summary Statements of Activities” herein.
- 3. No Assurance that the Project will Result in Increased Revenues Necessary for the Church to Repay the 2019 Series Bonds.** The Church will use the proceeds of the 2019 Series Bonds, among other purposes, to complete construction of an approximately 60,456 square foot facility that will house a 1,015-seat auditorium. The Church is currently utilizing a 445-seat auditorium at the Leased Site. See “The Project,” herein. Although the Church anticipates that the larger sanctuary will allow it to increase its membership and revenues, there can however be no assurance in that regard. The Church is relying on, and will require, revenue growth in future years in order to repay the 2019 Series Bonds. If the Church is unable to increase future revenues, it would be required to reduce future expenses (which it may not be able to do) or may it not be able to repay the 2019 Series Bonds.
- 4. No Assurance of Increased or Stable Membership and Attendance.** The Church cannot be certain that Church membership or attendance will increase or remain stable or that per capita contributions by members and attendees will increase or remain stable. See “History and Operation — Statistics.”
- 5. Loss of the Pastor’s Services Could Adversely Affect the Church.** Pastor Brandon Thomas, age 46, has been the Church’s Senior Pastor since founding the Church in 2004. If Pastor Thomas resigned, died, or became disabled, the affairs of the Church, including its ability to repay the 2019 Series Bonds, could be adversely affected. The Trust Indenture requires the Church to obtain and keep in force, so long as any Bonds remain outstanding, life insurance on the Senior Pastor of the Church in an amount equal to the maximum annual principal and interest payments on the Bonds (i.e., approximately one year’s debt service on the outstanding Bonds). The Church currently has a life insurance policy, insuring the life of Senior Pastor Brandon Thomas, with the death benefit amount of \$2,500,000, of which \$1,400,000 has been assigned to the Trustee, as additional collateral security for the 2019 Series Bonds. In the event of Pastor Thomas’ death, the Trustee holds its assigned monies for one year until they revert back to the Church. The Trust Indenture provides, however, that in the event Senior Pastor Brandon Thomas or any subsequent Senior Pastor of the Church is uninsurable due to medical reasons, the Trustee will waive the requirement of maintaining life insurance on the life of the Senior Pastor.
- 6. Bonds Subject to Redemption by Church.** The 2019 Series Bonds may be redeemed in whole on any day of any month at the option of the Church without penalty. The 2019 Series Bonds may be redeemed in part on the first day of any month in multiples of \$1,000, at the option of the Church without penalty or prepayment premium.



7. **No Rating or Public Market is Expected.** The 2019 Series Bonds will not be rated by any nationally recognized statistical rating organization or insured against loss. There is no quoted market for the 2019 Series Bonds and there is no assurance that a market will develop or, if a quoted market does develop, that it will be maintained. Consequently, you may not be able to resell or readily determine the market value of your 2019 Series Bonds should you desire to do so. The 2019 Series Bonds should be considered long-term investments in which funds are committed to maturity. Additionally, the Church and its affairs are not supervised or regulated by any government entity, and the 2019 Series Bonds are not insured or guaranteed by any state or federal regulatory agency, including the Federal Deposit Insurance Corporation (“FDIC”).
8. **No Assurance That Church Property Could Be Sold for Value Stated.** The valuation of the land and the Project, described herein, which will be subject to the lien of the Trust Indenture and Deed of Trust is based on an appraisal report dated August 23, 2019 by Fuller Appraisals, Rowlett, Texas (the “Appraisal Report”). A copy of the Appraisal Report is available upon request from the Underwriter. The valuation of the furniture, fixtures and equipment to be purchased in connection with the completion of the Project, which will also be subject to the lien of the Trust Indenture and the Deed of Trust, is based on its estimated purchase price. See “Description and Valuation of Church Property - Valuation of Church Property.” The facilities of the Church will be constructed primarily for religious and educational purposes and will not be generally adaptable to other uses. There is no assurance that the property of the Church could be sold for the value stated in the event of default. There are no guarantees that state, federal or local government authorities will not in the future place additional restrictions on the future use and development of the New Church Site, which may have a negative impact on its market value.
9. **Additional Debt Could Adversely Affect Debt Service Ability.** The Trust Indenture permits the Church, subject to certain limitations, to issue additional bonds ranking equally with the 2019 Series Bonds and to pledge property serving as collateral for these 2019 Series Bonds as collateral for additional bonds. The Church may also encumber this property with subordinate indebtedness. The issuance of either additional bonds and/or the incurrence of subordinate indebtedness could affect the Church’s ability to make timely principal and interest payments on the 2019 Series Bonds. See “The 2019 Series Bonds — Additional Bonds.”
10. **Potential Delays or Cost Overruns in Construction May Occur; No Payment and Performance Completion Bonds.** Although construction of the Project is subject to a fixed price (lump sum) contract (“FPC”), there can be no guaranty that actual construction costs will not exceed such the price specified and hence the amount available to the Church for construction. Project costs and the estimated duration of construction may exceed present estimates because of risks associated with construction – including, without limitation, strikes and other labor dispute actions, material shortages, shortage in various labor trades, adverse weather conditions, fire or casualty damage and unanticipated subsoil conditions. Project costs and the estimated duration of construction may also exceed present estimates due to the financial failure of the general contractor or sub-contractors. The Church will not obtain payment and performance completion bonds to protect against additional costs above the contract cost (which could be significant) in the event it becomes necessary to transfer the Project to new contractors. In lieu of a payment and performance bond, the Church has agreed to engage an independent construction inspector who will perform periodic inspections at the construction site and will confirm that the Project is being built in accordance with the approved plans and specifications and within the Project budget. Furthermore, if additional financing is needed to complete construction of the Project, there are no assurances that it will be available on terms acceptable to the Church. See “Use of Bond Proceeds.” No affiliation exists between the Church and any contractor used in the construction of the Project for the Church.
11. **Possible Adverse Effects or Changes in Tax Laws or Loss of Tax-Exempt Status.** Any adverse change in the tax laws, or any adverse change in the Church’s tax status as a tax-exempt organization, would affect contributors who are currently entitled to deduct their contributions to the Church from gross income. Any such change, in turn, could adversely affect the level of contributions to the Church and the ability of the Church to meet its obligations, including principal of and interest on the 2019 Series Bonds.
12. **No Income Tax Benefits.** No charitable deduction may be claimed as the result of your purchase of any Beneficial Interest in any 2019 Series Bonds. Additionally, interest you receive is subject to applicable state or federal income tax as ordinary income. For federal income tax purposes, the stated interest paid on the 2019 Series Bonds and corresponding Beneficial Interests will be included in your “gross income”, and may be subject to federal income taxation when paid or accrued, depending upon your tax accounting method. Any gain or loss on the sale or exchange of a Bond and any corresponding Beneficial Interests therein is subject to applicable state and federal income tax. You are encouraged to consult with your tax advisors regarding the state and federal income tax consequences concerning your investment in the 2019 Series Bonds.

13. **Rights and Remedies Under the Trust Indenture and Deed of Trust May Be Limited.** The Trustee's ability to exercise its rights on behalf of the Registered Owners under the Trust Indenture and Deed of Trust may be limited by bankruptcy, insolvency, reorganization or any other similar laws or equitable principles related to, or affecting, the enforcement of creditors' rights generally. In addition, the exercise of various remedies specified in the Trust Indenture and Deed of Trust will require judicial action, which is often subject to discretion and delay. Under existing laws, certain of these remedies specified in the Trust Indenture and Deed of Trust may not be readily available, may be limited, or may be denied by a court. The right of the Trustee to foreclose upon and sell the assets of the Church which are secured by the Deed of Trust and pledged under the Trust Indenture and Deed of Trust is subject, among other debtor rights, to the debtor's right of redemption under Texas law. A court may decide not to order the specific performance of the covenants contained in the Trust Indenture and Deed of Trust. See "The 2019 Series Bonds — Security" and "Certain Texas Law Matters Relating to Real Property Secured Deed of Trust Loans."
14. **The Trustee Shall Have a Prior and Superior Lien.** The Church is obligated pursuant to the Trust Indenture to pay the Trustee reasonable compensation, to reimburse it for all expenditures, and to indemnify it against any liabilities it may incur in its duties. For such payment of compensation, reimbursement of expenses and indemnification, the Trustee shall have a prior and superior lien to that of the Registered Owners and the Beneficial Owners.
15. **No Feasibility Study.** No formal feasibility study has been performed in connection with the issuance of the 2019 Series Bonds. Management's discussion and analysis of financial information pertaining to, and of the business operations of, the Church, as set forth herein, is based on financial information and other information regarding operations of the Church as the date of this Prospectus only. The operations of the Church are subject to changes in economic and other conditions.
16. **General Economic Factors.** Keller is a suburban city in the Dallas–Fort Worth–Arlington, Texas Metropolitan Statistical Area. General economic recessions, such as the nationwide recession that began in 2008, have had, and may continue to have, negative repercussions upon the Dallas–Fort Worth–Arlington, Texas Metropolitan Statistical Area. Reduction in business activity and in housing development and sales in the area where the Church is located and in the Dallas–Fort Worth–Arlington, Texas Metropolitan Statistical Area may impact the number of new members and attendees interested in the ministries of the Church. In addition, increase in unemployment or the fear of unemployment reduces the amount of disposable income that families may be able to use to make contributions to the Church. When the general economic condition is unstable, charitable donations and contributions often decrease, which may affect the cash available to the Church for general operations as well as for special capital needs. There are no assurances that the level of contributions received by the Church in the past will continue in the future. A prolonged economic recession, now or in the future, could adversely affect the Church's ability to make payments of principal and interest on the 2019 Series Bonds.
17. **Unaudited Financial Statements.** The financial statements for the seven-month periods ended July 31, 2018 and July 31, 2019, are unaudited, and there can be no assurance that these statements are presented fairly in conformity with the generally accepted accounting principles without further need for adjustment. A compilation is limited to presenting in the form of financial statements information that is the representation of management of the Church.
18. **Environmental Assessment.** The Church engaged Phase Engineering, Inc., Houston, Texas ("Phase") to prepare a Phase I Environmental Assessment at the New Church Site. According to Phase's report dated December 1, 2017 (the "Phase I Report"), the New Church Site is not affected by any material environmental conditions that could negatively impact the value of the property securing the 2019 Series Bonds. Due to the presence of a 7-ELEVEN gasoline station, a registered Underground Storage Tank ("UST") facility, directly south of the New Church Site, Phase recommended a Phase II report be completed to determine the potential impact from undocumented petroleum release to the New Church Site. Subsequently, the Church engaged Phase to prepare a Phase II Environmental Assessment at the site of the New Church Site. According to Phase's report dated January 8, 2018 (the "Phase II Report"), there were no indications of a petroleum release discovered during the Phase II assessment. Although the Phase I Report and the Phase II Report did not identify any recognized environmental conditions, there is still a chance that environmental risks could be discovered or uncovered at a later date that could negatively impact the Church's ability to use the New Church Site and/or the Trustee's ability to sell the New Church Site. These risks could be related directly to the New Church Site or could emanate from a nearby property. Furthermore, potential investors should note that federal, state or local authorities could implement new environmental regulations that could materially impact the use or marketability of the New Church Site. Copies of both the Phase I Report and Phase II Report are available upon request from the Underwriter.

## The Project

In January 2016, the Church completed the purchase of approximately 13.4 acres of land located at 1939 Keller Parkway, Keller, Texas 76248 (the “New Church Site”). In January 2019, the Church began the preliminary site development work for the anticipated construction of a ministry facility on the New Church Site consisting of approximately 59,556 square feet on the main floor and an approximately 900 square foot mezzanine, for a total building area of approximately 60,456 square feet. As of August 31, 2019, the Church has paid, with cash, \$2,528,000 to the Contractor for the preliminary site development work.

**Fixed Price Contract (“FPC”).** The construction plans for the New Church Site include the following:

- An adult auditorium with an approximately 1,015-person seating capacity
- An adult community space
- A preschool ministry space with an approximately 200-child capacity, classrooms, and a theater
- An elementary ministry space with an approximately 200-child capacity, theaters, community space, and an extended session classroom
- Offices
- Support space
- Paved parking for approximately 527 vehicles

Architectural design work for the Project has been completed by Godwin & Associates Architects and Engineers, Inc., Springfield, Missouri (the “Architect”). The Architect has designed other facilities and renovation projects similar to that of the Project. The Church has paid the Architect \$264,212.50, to date, for its architectural design services. The Church, during the construction period for the Project, will have paid the Architect a total “lump sum” fee equal to \$280,000. The contractor for the Project will be Tarrant Construction Services, Ltd. Fort Worth, Texas (the “Contractor”). The Contractor has constructed facilities similar to that of the Project. The Contractor will act as the general contractor for the Project pursuant to a Fixed Price (Lump Sum) Contract (the “FPC”). Under the terms of the FPC, the Contractor will construct the Project for a cost not to exceed \$13,950,000. The Project is anticipated to take 18 months to complete, with an estimated occupancy date of September 2020.

**Furniture, Fixtures & Equipment (“FF&E”)/Soft Costs.** The Project will include the purchase of approximately \$425,000 of FF&E. The Project also comprises approximately \$2,225,000 in Soft Costs, including but not limited to, building permit expenses, structural steel detailing, demolition, erosion control, site clearing, soil testing, new utilities and utilities relocation, along with expenses related to the Church’s groundbreaking event.

**Audio, Visual & Lighting (“AVL”) Costs.** The Project will include the installation and purchase of approximately \$1,725,000 of audio, visual and lighting equipment.

The Church may need additional funds to complete the Project, should unforeseen circumstances arise. However, there is no guarantee that such funds may be obtained at that time. See “Risk Factors” No. 9.

## Use of Bond Proceeds

The proceeds from the sale of the 2019 Series Bonds will be used for the following purposes:

- a) to pay the cost of the FPC for the Project;
- b) to pay the FF&E/Soft Costs of the Project;
- c) to pay the AVL Costs of the Project;
- d) to reimburse the Church for certain Project costs paid to date;
- e) to pay the Underwriting Discount; and
- f) to pay the cost of issuing the 2019 Series Bonds, including professional fees and other costs of issuance (the “Issuance Expenses”).

The estimated Uses and Sources of Funds are as follows:

## Uses of Funds

FPC .....	\$13,950,000
Land Purchase .....	3,700,000 <sup>(1)</sup>
FF&E/Soft Costs .....	2,650,000
AVL Costs .....	1,725,000
Stifel Underwriting Discount .....	892,500
Reimbursement to Church for Project Costs Paid to Date .....	704,387 <sup>(2)</sup>
Estimated Issuance Expenses .....	310,500 <sup>(3)</sup>
Total Estimated Uses of Funds .....	<u>\$23,932,387</u>

## Sources of Funds

First Mortgage Bonds, 2019 Series, currently being issued .....	\$17,000,000
Project Costs Paid to Date .....	<u>6,932,387<sup>(1)</sup></u>
Total Estimated Sources of Funds .....	<u>\$23,932,387</u>

(1) The Church has paid in full for the Land Purchase with cash proceeds received from capital campaign funds. See “Fund Raising Program” and “Prior Borrowing Experience,” herein.

(2) The Church has paid certain Project costs with cash, prior to closing on the 2019 Series Bonds. The Church will be reimbursed for a portion of these costs at closing.

(3) Pursuant to a certain Consulting Agreement entered into between the Church and Share Financial, the Church will pay Share Financial a referral fee of \$212,500 out of the Estimated Issuance Expenses above.

In no event will proceeds of the 2019 Series Bonds be applied to uses contrary to the purposes described in this Prospectus or for purposes not related to the business of the Church as described in this Prospectus. On the date the 2019 Series Bonds are delivered, as disclosed on the cover page of this Prospectus, the net proceeds of the 2019 Series Bonds will be deposited with the Trustee, to be disbursed by the Trustee for those purposes described herein.

## Approvals

The Church has received all necessary approvals for the construction of the Project at the New Church Site, including site plan approval, grading permit, and building permit.

## Fund Raising Program

The Church has historically conducted multiple, successful fund raising capital campaign programs. The Church has experienced consistency in members and attendees giving capital campaigns. The Church sets a target collection rate of 80% of pledges, and has consistently exceeded that target. The Church’s first campaign called “Think Big” ran from 2007 to 2009, receiving 83% of pledges. The Church’s second campaign called “Launch” ran from 2010 to 2012, receiving 89% of pledges.

The Church’s third campaign called “A Place to Call Home” ran from 2014 to 2016, receiving 88% of pledges. A Place to Call Home was the primary campaign for the Project, described herein. The Church received \$5,020,130 in pledges to the A Place to Call Home campaign, and has collected \$4,424,544 (88% of pledges).

The Church’s fourth, and current, campaign called “Build This House” began in 2017 and runs through 2019. Build This House is a follow-up campaign for the Project, both focused on providing funds for the New Church Site, along with other minor mission efforts. The Church received \$3,901,956 in pledges to the Build This House campaign, and has collected \$3,810,985 (97% of pledges) to date, with the campaign continuing to run through the end of 2019.



All of the Church's capital campaigns are vision-based. The Church communicates that the capital campaigns are facilitating the overall ministry vision of the Church. In the case of "A Place to Call Home" and "Build This House," the purposes specifically included:

- Land Purchase
- Soft Costs associated with the planning, approvals and development of the Project.
- Hard Costs associated with the construction of the Project.
- Furnishings, fixtures and equipment associated with the Project.
- 'Grand Opening' expenses associated with the New Church Site.
- Loan expenses and debt service related to the Project.

The Church has plans to conduct an additional, follow-up capital campaign, the specific details of which are yet to be determined. Proposed plans entail either a two or three-year capital campaign that will begin in the Spring or Fall of 2020.

There is no guarantee that the Church will receive or collect monies representing pledges or contributions to this, or any future, building fund campaign which in turn could have an adverse impact on the Church's ability to make scheduled payments and interest payments on the 2019 Series Bonds. See "Risk Factors" No. 2 – No Assurance Regarding Future Fund Raising Campaigns.

## **Future Site Development and Anticipated Future Construction**

The Church does have plans for future site development as growth of the congregation demands. As of the date of this Prospectus, there are no specific plans for future development and/or construction.

Future construction costs could be financed with the proceeds of additional bonds ranking equally with the 2019 Series Bonds currently being issued. See "The 2019 Series Bonds — Additional Bonds."

## Capitalization

The capitalization of the Church as of July 31, 2019, and as adjusted to give effect to the issuance of the First Mortgage Bonds, 2019 Series, currently being issued, is set forth below:

	<u>Outstanding</u>	<u>As Adjusted</u>
Long-Term Debt:		
First Mortgage Bonds, 2019 Series .....	\$ -0-	\$17,000,000 <sup>(1)</sup>
Total Long-Term Debt .....	-0-	17,000,000
Net Assets .....	<u>9,712,222</u>	<u>9,712,222</u>
Total Capitalization .....	<u>\$9,712,222</u>	<u>\$26,712,222</u>

(1) Currently being issued and dated November 4, 2019.

The Church's current liabilities are disclosed in the statement of financial position of the financial statements contained elsewhere in this Prospectus. The Church plans to pay these liabilities in the ordinary course of business.

## Summary Statements of Activities

The following Summary Statements of Activities of the Church for the fiscal years ended December 31, 2016, 2017 and 2018, have been derived from financial statements audited by CapinCrouse LLP, Grapevine, Texas, whose report appears elsewhere in this Prospectus. The Summary Statements of Activities for the seven-month periods ended July 31, 2018 and July 31, 2019, have been derived from financial statements compiled by Stanfield + O'Dell, P.C., Tulsa, Oklahoma, and management for the Church believes that it includes all adjustments necessary for fair presentation of the results of operations for these periods. However, operating results for the seven-month period ended July 31, 2019, are not necessarily indicative of the results to be expected for the fiscal year of the Church ending December 31, 2019.

	Year Ended December 31,			Seven Months Ended July 31,	
	2016	2017	2018	2018	2019
	(Audited)	(Audited)	(Audited)	(Compiled)	(Compiled)
<b>Support and Revenue Without Donor Restrictions:</b>					
Contributions	\$2,574,770	\$3,518,263	\$3,204,944	\$1,887,572	\$1,848,610
Ministry activities income	226,795	278,313	313,416	248,545	228,968
Other income	16,258	17,902	1,364	11,855	44,547
Purpose restrictions	496,959	123,693	66,539	283,356	106,958
Total Support and Revenue Without Donor Restrictions	3,314,782	3,938,171	3,586,263	2,431,328	2,229,083
<b>Expenses:</b>					
Church activities	2,505,693	2,718,947	3,191,548	1,660,735	1,742,061
Missions	46,348	50,672	46,034	50,024	36,860
General and administrative	368,247	538,410	423,870	253,341	297,269
Fundraising	133,782	79,984	95,571	94,357	80,594
Less: Interest, Depreciation, Lease Expense	(338,515)	(350,872)	(376,606)	(218,370)	(230,114)
Total Expenses	2,715,555	3,037,141	3,380,417	1,840,087	1,926,670
Change in Unrestricted Net Assets before Other Changes	599,227	901,030	205,846	591,241	302,413
<b>Support and Revenue With Donor Restrictions:</b>					
Contributions	1,593,667	1,718,145	1,928,568	409,504	917,648
Purpose restrictions	(496,959)	(123,693)	(66,539)	(283,356)	(106,958)
Change in Support and Revenue With Donor Restrictions	1,096,708	1,594,452	1,862,029	126,148	810,690
Change in Net Assets Before Other Changes	1,695,935	2,495,482	2,067,875	717,389	1,113,103
<b>Other Changes:</b>					
Interest Expense	269	—	—	—	18,648
Depreciation	49,876	54,730	71,209	40,659	46,772
Lease Expenses	288,370	296,142	305,397	177,711	164,694
Total Other Changes	338,515	350,872	376,606	218,370	230,114
Change in Net Assets	\$1,357,420	\$2,144,610	\$1,691,269	\$ 499,019	\$ 882,989

## Other Financial Data

### CHANGE IN NET ASSETS BEFORE OTHER CHANGES (CASH FLOW AVAILABLE FOR DEBT SERVICE)

<b>(CASH FLOW AVAILABLE FOR DEBT SERVICE)</b>			
<b>For Fiscal Years Ended December 31,</b>			
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Change in Net Assets Before Other Changes	\$1,695,935	\$2,495,482	\$2,067,875

The Change in Net Assets Before Other Changes is described as the cash available for debt servicing to principal and interest on the long-term debt of the Church. The Change in Net Assets Before Other Changes for the periods indicated above were calculated by adjusting the Change in Net Assets, as reported in the Financial Statements of the Church, by the elimination of the following items: (a) interest expense; (b) depreciation; (c) and lease expenses.

### DEBT SERVICE COVERAGE RATIOS

<b>(HISTORICAL COVERAGE RATIOS)</b>			
<b>For Fiscal Years Ended December 31,</b>			
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Change in Net Assets Before Other Changes	\$1,695,935	\$2,495,482	\$2,067,875
Historical Debt Service	\$ 18,316	N/A	N/A
Historical Lease Expenses	\$ 288,370	\$ 296,142	\$ 305,397
Total Historical Debt Service & Lease Expenses*	\$ 306,686	\$ 296,142	\$ 305,397
<b>Historical Coverage Ratios</b>	<b>5.53x</b>	<b>8.43x</b>	<b>6.77x</b>

\* The Historical Coverage Ratios shown above reflect debt service on a prior Bank Note and the Church's annual lease expenses, and does not include debt service on the 2019 Series Bonds. The Historical Debt Service Ratios were computed by dividing the Change in Net Assets Before Other Changes for the respective historical periods listed above, by the annual principal and interest payments made on the long-term debt of the Church and the Church's annual lease expenses incurred during those respective historical periods.

<b>(PRO-FORMA DEBT SERVICE COVERAGE)</b>	
Change in Net Assets Before Other Changes (For Year Ended December 31, 2018)	\$2,067,875*
Maximum Annual Debt Service on 2019 Series Bonds	\$1,393,600
<b>Pro-Forma Debt Service Coverage Ratio</b>	<b>1.48x*</b>

\* The Change in Net Assets Before Other Changes for the year ended December 31, 2018 figure of \$2,067,875 includes all revenue sources of the Church, which includes \$1,928,568 in funds received by the Church designated as Contributions With Donor Restrictions. Using the Change in Net Assets Before Other Changes for the year ended December 31, 2018, but excluding such Contributions With Donor Restrictions, would result in a pro-forma debt service coverage ratio of 0.10x. See "Risk Factors" No. 2 - No Assurance Regarding Future Fund Raising Campaigns and "Fund Raising Program" herein.

The Pro-Forma Debt Service Ratio was computed by dividing the Change in Net Assets Before Other Changes for the year ended December 31, 2018, by the maximum annual principal and interest payments to be made on 2019 Series Bonds.

### DEBT SERVICE AS A PERCENTAGE OF ANNUAL REVENUE

<b>(HISTORICAL DEBT SERVICE AS % OF TOTAL REVENUE)</b>			
<b>For Fiscal Years Ended December 31,</b>			
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Historical Debt Service	\$ 18,316	N/A	N/A
Historical Lease Expenses	\$ 288,370	\$ 296,142	\$ 305,397
Total Historical Debt Service & Lease Expenses	\$ 306,686	\$ 296,142	\$ 305,397
Total Support and Revenue	\$4,411,490	\$5,532,623	\$5,448,292
<b>Historical Debt Service as a % of Total Revenue</b>	<b>7.0%</b>	<b>5.4%</b>	<b>5.6%</b>



The Historical Debt Service as a Percentage of Annual Revenue was computed by dividing the annual principal and interest payments made on the long-term debt of the Church and the Church’s annual lease expenses incurred for the respective historical periods listed above, by the Total Support and Revenue for those respective historical periods.

<b>(PRO-FORMA DEBT SERVICE AS % OF TOTAL REVENUE)</b>	
Maximum Annual Debt Service on 2019 Series Bonds	\$1,393,600
Total Support and Revenue (For Year Ended December 31, 2018)	\$5,448,292
<b>Pro-Forma Debt Service as a % of Total Revenue</b>	<b>25.6%</b>

The Pro-Forma Debt Service as a Percentage of Annual Revenue was computed by dividing the maximum annual principal and interest payments to be made on 2019 Series Bonds by the Total Support and Revenue for the year ended December 31, 2018.

## **Management Discussion of Summary Statements of Activities**

The Church’s Total Support and Revenue, including Donor Restricted Revenue, increased from \$4,411,490 for the year ended December 31, 2016, to \$5,532,623 for the year ended December 31, 2017, an increase of approximately 25.4%. The increase in Total Support and Revenue was primarily driven by Contributions Without Donor Restrictions which increased from \$2,574,770 for the year ended December 31, 2016, to \$3,518,263 for the year ended December 31, 2017, an increase of approximately 36.6%. Total Support and Revenue, including Donor Restricted Revenue, then decreased slightly from \$5,532,623 for the year ended December 31, 2017, to \$5,448,292 for the year ended December 31, 2018, a decrease of approximately 1.5%.

Over the three-year fiscal period from January 1, 2016 to December 31, 2018, the Church’s Total Expenses (excluding Interest Expense, Depreciation, and Lease Expenses, collectively, “Other Changes”) have increased. Expenses (excluding Other Changes) increased from \$2,715,555 for the year ended December 31, 2016, to \$3,037,141 for the year ended December 31, 2017, an increase of approximately 11.8%. Expenses (excluding Other Changes) then increased from \$3,037,141 for the year ended December 31, 2017, to \$3,380,417 for the year ended December 31, 2018, an increase of approximately 11.3%. The overall increase in expenses is primarily due to the growth in membership and attendance that the Church has experienced over the last three fiscal years, which has resulted in increased expenses related to ministry activities.

Total Support and Revenue, including Donor Restricted Revenue, increased from \$2,557,476 for the seven-month period ended July 31, 2018, to \$3,039,773 for the seven-month period ended July 31, 2019, an increase of approximately 18.9%. Total Expenses (excluding Other Changes) increased from \$1,840,087 for the seven-month period ended July 31, 2018, to \$1,926,670 for the seven-month period ended July 31, 2019, an increase of approximately 4.7%. Management for the Church continues to apply efficiencies in every area of operation to ensure effectiveness in each ministry while maintaining control over required costs.

**Pro-Forma Debt Service Coverage.** The Change in Net Assets Before Other Changes for the year ended December 31, 2018 figure of \$2,067,875 includes \$1,928,568 in funds received by the Church through a fund raising capital campaign. Funds received through the Church’s capital campaigns may be used, among other uses, for debt service related to the Project. See “Fund Raising Program” herein. Using the Change in Net Assets Before Other Changes for the year ended December 31, 2018, but excluding such fund raising amounts, would result in a pro-forma debt service coverage ratio of 0.10x. There can be no assurance that the Church will hold other fund raising campaigns in the future, nor any assurance that future fund raising campaigns, if any, would be successful. See “Risk Factors” No. 2 — No Assurance Regarding Future Fund Raising Campaigns and “Fund Raising Program” herein.

Management for the Church does not have a way to predict or guarantee that attendance and/or membership will increase due to the additional sanctuary seating. Additionally, the Church may not realize an immediate increase in tithes and offerings until after completion of the Project and further, until any new members and attendees become active in the ministries of the Church. Furthermore, the Church may not realize an increase in tithes and offerings as a result of the Project. See “Risk Factors” No. 1 – No Assurance Regarding Sufficiency of Voluntary Contributions and “Fund Raising Program,” herein.

## Prior Borrowing Experience

On August 13, 2013, the Church entered into a land purchase agreement in relation to the New Church Site (the “Land Purchase”), with the closing date being conditional on the Church receiving development approval for the Project from the City of Keller. The City of Keller completed its review of the Church’s plans and unanimously approved its development site plan on May 17, 2015. The Church subsequently closed the Land Purchase on January 7, 2016, and the Church incurred a note with Woodhaven National Bank, Fort Worth, Texas in the original principal amount of \$3,700,000 (the “Bank Note”) for the Land Purchase of the New Church Site. In January 2019, the Church paid in full the Bank Note with cash proceeds received from capital campaign funds. See “Fund Raising Program,” herein.

On January 4, 2019, the Church entered into a loan agreement with Prosperity Bank, a Texas banking association, in the original principal amount of \$14,500,000 (the “Construction Loan”) for the financing of the proposed Project at the New Church Site. As of the date of this Prospectus, the Church has not drawn any funds from the Construction Loan. The Construction Loan will be closed, without being drawn upon, prior to or concurrently with the issuance of the 2019 Series Bonds.

Stifel has not underwritten the sale of any bonds for the Church prior to the sale of the 2019 Series Bonds.

All of the Church’s past and present debt obligations have been paid in a timely manner.

## History and Operation

The Church was founded in the fall of 2004 by current Senior Pastor Brandon Thomas and his wife Susan. The Church initially met in the Thomas’s home, but quickly outgrew that environment. The Church relocated its services to a school auditorium at the end of 2004. The Church outgrew that facility and relocated its services to its current Leased Site on Keller Parkway in 2006.

In 2012, the Church began to approach the capacity of the Leased Site and began investigating long-term facility strategy options. The Church tested a second campus that initially provided some capacity relief on the main campus but determined that maintaining its lay leadership in a single location would be more beneficial to its longer-term growth. The second location was consolidated back into the main campus and additional service times were added to provide some capacity relief while a new campus could be developed.

The Church entered into a land purchase agreement in 2013, acquired the needed initial regulatory approvals, and then closed on the property in 2016. It has since completed the plans for its facility and also completed the remaining regulatory approvals.

The Church offers four primary weekend (Saturday/Sunday) service times during the fall through spring, and three service times during the summer. The Church’s youth ministry meets midweek.

## Affiliation

The Church is affiliated with the Southern Baptist Convention, Nashville, Tennessee. **The Church alone is responsible for its management and for the payment of principal and interest on the 2019 Series Bonds.**

## Statistics

THE FOLLOWING IS CERTAIN STATISTICAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018, AND THE SEVEN-MONTH PERIOD ENDED JULY 31, 2019. IT SHOULD NOT BE ASSUMED THAT MEMBERSHIP, ATTENDANCE OR REVENUE WILL REMAIN STABLE OR INCREASE. CHURCHES ARE SUBJECT TO FINANCIAL AND OTHER RISKS THAT DIFFER FROM THOSE OF OTHER FOR-PROFIT AND NON-PROFIT ORGANIZATIONS. THESE RISKS INCLUDE CHANGES IN THE REPUTATION OF THE CHURCH AND CHANGES IN ITS PASTORAL STAFF, BOTH OF WHICH COULD DIRECTLY AFFECT MEMBERSHIP, ATTENDANCE AND REVENUE. THE FOLLOWING STATISTICS ARE NOT AND SHOULD NOT BE CONSTRUED AS A FINANCIAL FORECAST OF FUTURE OPERATING RESULTS.

Set forth below is a summary of Total Support and Revenue, average weekly worship attendance, and estimated Church membership for the periods indicated. These statistics have been provided by management for the Church and are not audited, except that Total Support and Revenue for the years ended December 31, 2016, 2017 and 2018, are derived from the audited financial statements contained elsewhere in this Prospectus. See “SUMMARY STATEMENTS OF ACTIVITIES,” herein. Although management of the Church expects contributions to be adequate to meet expenses of operation and for payment of principal and interest on the 2019 Series Bonds and other indebtedness of the Church, there can be no assurance that future contributions will be sufficient to meet these obligations.

The attendance figures are representations of management of the Church regarding attendance at weekly worship services. The figures are derived from counts which are performed on a weekly basis by Church volunteers and staff. These figures include all attendees, including adults, children, and guests, and should not be construed as a measure of the total number of people who make contributions to the Church on a weekly basis. These figures have not been audited or reviewed by Stifel or any other firm or group as to their accuracy or reasonableness. In addition, the methodologies used by management of the Church to count, compile and then calculate average weekly worship attendance are generally not exact procedures. As a result, the average weekly worship attendance figures reported below are only an estimate of the approximate number of people who have attended worship services on a weekly basis for the periods indicated.

<u>Year Ended December 31,</u>	<u>Total Support and Revenue</u>	<u>Average Weekly Worship Attendance</u>	<u>Estimated Church Membership</u>
2016	\$4,411,490	1,380	1,519
2017	\$5,532,623	1,431	1,693
2018	\$5,448,292	1,412	1,863
2019*	\$3,039,773	1,442	1,944

\* For the seven-month period ended July 31, 2019.

## Description and Valuation of Church Property

### Keller and Surrounding Community

**General.** According to the Comprehensive Annual Financial Report of the City of Keller, Texas for the fiscal year ended September 30, 2018, the City of Keller is located in northeast Tarrant County, Texas, approximately 10 miles north of Fort Worth and 25 miles northwest of downtown Dallas. It is part of the 12-county ‘Metroplex’ of North Central Texas, which includes the cities of Fort Worth and Dallas, as well as surrounding communities, with an estimated population in the 12-county area exceeding 7.26 million in January 2018.

The latest population estimate prepared by the U.S. Census Bureau, as of July 1, 2018, indicates that the current population of the City of Keller is approximately 47,350 and the County of Tarrant is approximately 2,084,931. According to the U.S. Department of Labor Bureau of Labor Statistics, the August 2019 unemployment rate for the State of Texas was 3.4%.

According to the U.S. Census Bureau, the population of Tarrant County in 2017 was approximately 45.9% White, 29.2% Hispanic, 17.5% African American, and the remainder from other ethnicities; the median home value was approximately \$158,200; the median household income was \$62,532, slightly higher than the statewide average of \$57,051; and the poverty rate was 11.6%.

According to the Comprehensive Annual Financial Report of Tarrant County, Texas for the fiscal year ended September 30, 2018, the five largest employers are AMR Corporation (parent company of American Airlines), Texas Health Resources, Lockheed Martin Aeronautics Company, Fort Worth Independent School District, and Naval Air Station Fort Worth Joint Reserve Base.

The area immediately surrounding the New Church Site is primarily residential, with some commercial businesses.

**Population.** The following table sets forth population statistics for the City of Keller, Tarrant County, and the State of Texas.

<b>COMPARATIVE POPULATION</b>						
<b>Year</b>	<b>City of Keller</b>	<b>Percent Change</b>	<b>Tarrant County</b>	<b>Percent Change</b>	<b>State of Texas</b>	<b>Percent Change</b>
1990	13,683	N/A	1,170,103	N/A	16,986,510	N/A
2000	27,345	99.8%	1,446,219	23.6%	20,851,820	22.8%
2010	39,627	44.9%	1,809,034	25.1%	25,145,561	20.6%

Source: U.S. Census Bureau, Census 2010, Census 2000, and 1990 Census.

**Median Age.** The median age for the residents of the City of Keller is 39.9 years and for residents of Tarrant County is 33.4 years. The State-wide median age is 33.6 years. (Source: U.S. Department of Commerce, Bureau of the Census, 2010 Census.)

**Housing Stock.** The following table sets forth housing unit information for the City of Keller and Tarrant County.

<b>HOUSING UNITS</b>			
	<b>2000</b>	<b>2010</b>	<b>Percent Change</b>
City of Keller	9,216	14,051	52.5%
Tarrant County	565,830	714,803	26.3%

Source: U.S. Census Bureau, Census 2000, Census 2010.

**Income.** The following table sets forth per capita personal income for Tarrant County, the State of Texas and the United States.

<b>PER CAPITA PERSONAL INCOME</b>					
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Tarrant County	\$44,130	\$47,772	\$47,661	\$46,978	\$47,525
State of Texas	\$43,821	\$46,406	\$46,709	\$46,146	\$47,362
United States	\$44,826	\$47,025	\$48,940	\$49,831	\$51,640

Source: U.S. Department Commerce, Bureau of Economic Analysis.

**Building Permit Activity.** The following table provides information regarding the number of residential building permits in the City of Keller for the years indicated.

<b>HISTORY OF ESTIMATED RESIDENTIAL BUILDING ACTIVITY</b>	
<b>Year</b>	<b>City of Keller</b>
2014	356
2015	218
2016	138
2017	105
2018	109

Source: U.S. Census Bureau.

## **Leased Site**

### **(Not Subject to the Lien of the Trust Indenture and Deed of Trust)**

The Church is currently leasing two adjacent buildings, one that houses the ministry space totaling approximately 20,500 square feet, located at 1711 Keller Parkway, Keller, Texas 76248, and one that houses the Church's office space, totaling approximately 3,600 square feet, located adjacent to the ministry space property at 100 Quest Court, Keller, Texas 76248.

The Leased Site contains an auditorium with seating capacity for 445 people, and a children's ministry capacity of 200. The Church currently holds three weekly worship services during the summer months, and four weekly worship services during the remainder of the year. The office building at the Leased Site is approximately 3,600 square feet. The Leased Site contains paved parking for 76 vehicles, which is supplemented by a trolley service to offsite parking.

Upon completion of the Project at the New Church Site, the Church will terminate the lease of the Leased Site.



## New Church Site

### (Subject to the Lien of the Trust Indenture and Deed of Trust)

In January 2016, the Church completed the purchase of approximately 13.4 acres of land located at 1939 Keller Parkway, Keller, Texas 76248 (the “New Church Site”). In January 2019, the Church began the preliminary site development work for the anticipated construction of a ministry facility on the New Church Site consisting of approximately 59,556 square feet on the main floor and an approximately 900 square foot mezzanine, for a total building area of approximately 60,456 square feet.

The construction plans for the New Church Site include the following:

- An adult auditorium with an approximately 1,015-person seating capacity
- An adult community space
- A preschool ministry space with an approximately 200-child capacity, classrooms, and a theater
- An elementary ministry space with an approximately 200-child capacity, theaters, community space, and an extended session classroom
- Offices
- Support space
- Paved parking for approximately 527 vehicles.

## Valuation of Church Property

### (Subject to the Lien of the Trust Indenture and Deed of Trust)

The valuation of the land and the Project, described herein, which will be subject to the lien of the Trust Indenture and the Deed of Trust, is based on an appraisal report dated August 23, 2019 by Fuller Appraisals, Rowlett, Texas (the “Appraisal Report”). A copy of the Appraisal Report is available upon request from the Underwriter. The valuation of the furniture, fixtures and equipment to be purchased in connection with the completion of the Project, which will also be subject to the lien of the Trust Indenture and the Deed of Trust, is based on its estimated purchase price.

New Church Site – Land and Project “As If Complete” (Appraised Value) . . . . .	\$23,600,000
Furniture, Fixtures and Equipment to be Purchased for the Project . . . . .	425,000
<b>Total Estimated Value of Church Property . . . . .</b>	<b><u>\$24,025,000</u></b>
<b>2019 Series Bonds Being Issued . . . . .</b>	<b><u>\$17,000,000</u></b>
<b>Estimated Value of Church Property to Bonds . . . . .</b>	<b>1.41 : 1</b>
<b>Debt as a Percentage of Value (Bonds as % of Value of Church Property) . . . . .</b>	<b>70.8%</b>

The facilities will be primarily constructed for religious and educational purposes and will not be generally adaptable to other uses. Consequently, in the event of default, the Trustee’s remedies and the number of entities, which could purchase or lease such facilities would be limited and the sale price or rental value thereof might be thus affected.

Also, the appraisal value used in the table above may not reflect what a third-party buyer in Tarrant County would pay for the New Church Site if this property were marketed for sale in the event of a foreclosure of the Deed of Trust. Matters affecting value, not by limitation, include the number of congregations in Tarrant County area financially capable of purchasing the New Church Site.

## Church Management and Leadership

The Church is governed by a six-person Board of Directors. Members of the Board of Directors serve one-year terms, and may serve successive terms. Senior Pastor Brandon Thomas serves as the Chairman of the Board of Directors by virtue of his position as Senior Pastor. The Senior Pastor shall be called or replaced by the affirmative vote of two-thirds of the members of the Board of Directors. The Board of Directors are nominated for their positions by the current Senior Pastor and ratified by the affirmative vote of the majority of the remaining members of the Board of Directors. The Church’s Board of Directors has approved the issuance of the 2019 Series Bonds.

Listed below is the Church's Board of Directors, their occupations, their place of employment, and their city of residence. Members of the Board of Directors do not have fixed expiration dates.

## Board of Directors

Brandon Thomas, **Chairman/President**  
Senior Pastor  
Keystone Church  
Keller, Texas

Randal Taylor, **Secretary/Treasurer**  
Non-Profit / Consultant  
Taylor + Company  
Williamsburg, Kentucky

Mark Driscoll  
Senior Pastor  
The Trinity Church  
Scottsdale, Arizona

Trey Kelly  
Senior Pastor  
Wellspring Church  
Myrtle Beach, South Carolina

Mike Robertson  
Real Estate Agent  
Realty World  
Keller, Texas

Claude Thomas  
Pastor Emeritus  
Keystone Church  
Colleyville, Texas

Claude Thomas and Brandon Thomas are father and son, respectively.

Correspondence to any member of the executive staff or individuals above may be directed to the address of the Church office at 100 Quest Court, Keller, Texas 76248.

## Remuneration

The members of the Board of Directors serve in voluntary capacities and contribute their time and knowledge as such without remuneration for such services. No direct or indirect remuneration is being made to the Church's Board of Directors in connection with this Bond offering. The aggregate annual compensation paid to the Church's Leadership Team, including Senior Pastor and Founder Brandon Thomas, Teaching Pastor and Founder Susan Thomas, Creative Arts Pastor Brian Burton, and Ministries Pastor Jody Franke, is approximately \$670,000, including salary, allowances, and benefits. These members of the Church's Leadership Team are the four most highly compensated individuals with remuneration exceeding \$50,000 annually. The compensation paid to these Leadership Team members is not expected to change materially in the next 12 months.

## Leadership

**Senior Pastor Brandon Thomas**, age 46, together with his wife Susan, founded Keystone Church in the fall of 2004. Pastor Thomas received a Bachelor of Arts in Biblical Languages from Oklahoma Baptist University, Shawnee, Oklahoma, in 1995. Pastor Thomas then served as a College Minister, Young Couples Minister, and Next Generation Team Leader at First Baptist Church, Euless, Texas from 1995 to 2004, as he continued his education. He received a Master of Divinity in Biblical Languages in 1998 and a Doctorate of Ministry in 2004, both from Southwestern Baptist Theological Seminary, Fort Worth, Texas. His doctoral work had an emphasis on church growth, and his dissertation titled *Connecting Postmodern People in Gated Communities to the Local Church* helped form the foundational principles of Keystone Church. In 2016, Pastor Thomas authored a book entitled *SOUL SEARCH: The Answers You Need to the Biggest Questions You Are Asking*.

**Susan Thomas** serves the Church as Teaching Pastor, involved in staff leadership, women's ministry, worship ministry, freedom ministry, prayer ministry, children's ministry, preaching/teaching, and Bible study curriculum. She received a Bachelor of Arts with a major in Psychology and a minor in Business from Baylor University, Waco, Texas in 1994. She received a Master of Education in Counseling from the University of North Texas, Denton, Texas in 1996. She is a National Certified Counselor through the National Board for Certified Counselors and a Licensed Professional Counselor in the State of Texas, specializing in women and marriage. She has been a practicing counselor for over 20 years, and is currently running Passionate Life Ministries where she is a counselor, public speaker, and author, with an emphasis on individual, marriage and family biblical counseling, speaking at churches, conferences and retreats and writing Bible study curriculum. In 2011, Susan authored a book entitled *Girlfriend Revolution: Discovering God's Design for Authentic Friendships*, and in 2015, a book entitled *The Best Life: Ephesians*. Brandon and Susan Thomas have been married since 1998, and they have three daughters and a son.

**Randal Taylor** serves the Church as the Secretary and Treasurer of the Board of Directors. Mr. Taylor is self-employed as a non-profit consultant at Taylor + Company. He holds a degree in Radio, Television & Film from North Lake College, Irving, Texas.

**Mark Driscoll** serves the Church as a member of the Board of Directors. Pastor Driscoll is employed as Senior Pastor at The Trinity Church, Scottsdale, Arizona. He holds a Bachelor of Arts in Communications from Washington State University, Pullman, Washington, and a Master of Arts in Exegetical Theology from Western Seminary, Portland, Oregon.

**Trey Kelly** serves the Church as a member of the Board of Directors. Pastor Kelly is employed as Senior Pastor at Wellspring Church, Myrtle Beach, South Carolina. He holds a Bachelor of Arts in Political Science from the University of South Carolina, Columbia, South Carolina, and a Master of Arts in Theology from Southwestern Baptist Theological Seminary, Fort Worth, Texas.

**Mike Robertson** serves the Church as a member of the Board of Directors. Mr. Robertson is employed as a real estate agent at Realty World. He attended Midwestern State University, Wichita Falls, Texas, and the Real Estate Institute.

**Claude Thomas** serves the Church as a member of the Board of Directors. Pastor Claude Thomas is employed as Pastor Emeritus at Keystone Church. He holds a Bachelor of Arts in Religion & Speech from Carson-Newman University, Jefferson City, Tennessee, and both a Master of Arts in Biblical Studies and a Doctor of Ministry in Preaching from Southwestern Baptist Theological Seminary, Fort Worth, Texas.

## Church Staff

The Church's key staff members include the following:

Brandon Thomas	Senior Pastor, Founder
Susan Thomas	Teaching Pastor, Founder
Brian Burton	Creative Arts Pastor, Leadership Team
Jody Franke	Ministries Pastor, Leadership Team
Evan Cummins	Children's Pastor, Ministry Team
Kris Klein	Men's & Student Pastor, Campus Director, Ministry Team
Rob Patterson	Children's & Students' Pastor, Ministry Team
Geoff Payne	Groups & Connection Pastor, Ministry Team
Claude Thomas	Pastor Emeritus

In total, the Church has 15 full-time and seven part-time employees.

## The 2019 Series Bonds

Cash consideration is required to purchase the 2019 Series Bonds. Beneficial Interests in the 2019 Series Bonds will be sold in denominations of \$1,000. As underwriter, Stifel, Nicolaus & Company, Incorporated may elect to require a \$5,000 minimum purchase during the initial public offering of the 2019 Series Bonds. The 2019 Series Bonds are being issued as fully registered 2019 Series Bonds under the Trust Indenture dated as of November 4, 2019 executed by the Church to the Trustee. The Deed of Trust will be recorded with the County Clerk for Tarrant County, Texas. The statements in this Prospectus concerning the 2019 Series Bonds and the Trust Indenture are brief summaries only and may not include all of the information that is important to you. Please refer to the 2019 Series Bonds and the Trust Indenture for a full statement of their provisions.

The 2019 Series Bonds are issuable as fully registered 2019 Series Bonds without coupons in denominations of \$1,000 and any integral multiple thereof, and, when issued, will be registered in the name of Cede & Co., Box 20, Bowling Green Station, New York, New York, 10004 (the "Registered Owner") as nominee of The Depository Trust Company, 55 Water Street, New York, New York, 10041, telephone 212-855-1200 (referred to herein as "DTC"). DTC will act as securities depository of the 2019 Series Bonds. Purchases will be made only in book-entry form through Stifel, Nicolaus & Company, Incorporated as a "Participant", as defined in "Book-Entry System", and no physical delivery of the 2019 Series Bonds will be made to the actual purchasers (the "Beneficial Owners") except as described in this Prospectus. Payments of principal and interest will be made to Beneficial Owners by DTC through Stifel, Nicolaus & Company, Incorporated as the Participant. So long as Cede & Co. is the Registered Owner, as nominee of DTC, references in this Prospectus to the "Bondholders" or Registered Owners shall mean Cede & Co., and shall not mean the Beneficial Owners of the 2019 Series Bonds. The principal and interest on the 2019 Series Bonds will be paid by the Trustee to Cede & Co. as long as Cede & Co. is the Registered Owner. Disbursement of such

payments to the Participant is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Participant.

## **Book-Entry System**

As described on the Cover Page of this Prospectus, the 2019 Series Bonds initially will be issued solely in book-entry form to be held in the book-entry only system maintained by The Depository Trust Company (referred to herein as “DTC”), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of the 2019 Series Bonds and, except as otherwise provided in this Prospectus with respect to Beneficial Owners. Beneficial Owners will not be or considered to be, and will not have any rights as owners or holders of the 2019 Series Bonds under the Trust Indenture.

The following information about the book-entry only system applicable to the 2019 Series Bonds has been supplied by DTC. No representations, warranties or guarantees with respect to accuracy or completeness of the following information are made by the Church, the Corporate Trustee, Stifel, Nicolaus & Company, Incorporated or Counsel for the foregoing.

DTC will act as Bond depository for the 2019 Series Bonds. The 2019 Series Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. Fully registered Security certificates will be issued for the 2019 Series Bonds, in the aggregate principal amount of each serial and term maturity, and will be deposited with DTC. TMI Trust Company will maintain physical possession of the 2019 Series Bonds as custodian for Cede & Co.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. Securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is the holding company for DTC, National Securities Clearing Corporation, Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of 2019 Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019 Series Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2019 Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2019 Series Bonds, except in the event that use of the book-entry system for the 2019 Series Bonds is discontinued.

To facilitate subsequent transfers, all 2019 Series Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2019 Series Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2019 Series Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2019 Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2019 Series Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2019 Series Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2019 Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2019 Series Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Church or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 2019 Series Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent, or the Church, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Church or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2019 Series Bonds at any time by giving reasonable notice to the Church or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Church may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Securities depository). In that event, bond certificates will be printed and delivered to the Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Church believes to be reliable, but the Church takes no responsibility for the accuracy thereof.

## **Security**

Payment of the interest on and principal of the 2019 Series Bonds is solely the obligation of the Church. The repayment obligation is secured by the Trust Indenture and the Deed of Trust. Pursuant to the Deed of Trust, the Church grants in favor of the Trustee a first mortgage lien on the New Church Site, together with any real property improvements now or hereafter placed thereon subject to Permitted Encumbrances, described herein. The Trust Indenture permits the Church, subject to certain limitations, to issue additional bonds ranking equally with the 2019 Series Bonds and to pledge property serving as collateral for these 2019 Series Bonds as collateral for additional bonds. See "Risk Factors" No. 9. Pursuant to the Trust Indenture, the Church pledges to the Trustee its Pledged Revenues (as defined in the Trust Indenture) and the Church grants to the Trustee a security interest in the monies in the Sinking Fund Account, Project Fund Account, and the equipment, furniture, apparatus and machinery of the Church now or hereafter located on the New Church Site as collateral security for the 2019 Series Bonds. The lien of the Trust Indenture and the Deed of Trust is subject to Permitted Encumbrances as defined therein.

At or about the time the 2019 Series Bonds are delivered, the Trustee will receive an ALTA Lender's Policy of Title Insurance (the "Title Policy") issued by Old Republic National Title Insurance Company, issued through the office of Trinity Title of Texas, LLC, Colleyville, Texas, insuring the Trustee, in the aggregate amount of \$17,000,000 that:

- the New Church Site is legally owned by the Church in fee simple, and
- the Deed of Trust constitutes a lien on the New Church Site, subject to the exclusions from coverage which are standard in loan policies, and subject to the exceptions which are Permitted Encumbrances (as defined in the Trust Indenture).



## **Certain Texas Law Matters Relating to Real Property Secured Deed of Trust Loans**

The 2019 Series Bonds will be secured by, among other things, the Deed of Trust (sometimes referred to as the “Deed of Trust,” herein) encumbering the New Church Site. The following discussion contains a general summary of certain legal aspects of a real property secured loan in Texas. The summary does not purport to be complete. The summary is qualified in its entirety by references to the applicable federal and state laws governing the 2019 Series Bonds and the Deed of Trust.

**Judicial Foreclosure of Deed of Trust.** The foreclosure of a Deed of Trust is governed by the applicable statutes of the State of Texas. The Deed of Trust judicial foreclosure may be conducted as a non-judicial proceeding under a “power of sale” clause in the Deed of Trust or as a judicial proceeding instituted as a civil action in equity and the issues are not generally tried by jury. The venue for the action will be in the district court in the county where any of the mortgaged real property is located. The purpose of the action is to foreclose the mortgage lien and terminate the mortgagor’s interest in the property. After a judgment where an order of foreclosure is entered, the interest is foreclosed through the equitable foreclosure proceeding with the holding of the judicial sale of the property conducted by an officer of the law and the issuance of a Trustee’s Deed.

In Texas, there is no statutory right of redemption for deed of trust liens. Once a property has been judicially foreclosed under a deed of trust or other security instrument, it cannot be redeemed, unless the lender and borrower include a contractual right of redemption in the original loan documents.

If the Court rules for the mortgagee to allow foreclosure, the Court will order a sale of the mortgage property after the judgment of foreclosure. The borrower has thirty (30) days to file a notice of appeal or a motion for a new trial to contest the judgment. If the borrower does not timely contest the judgment, the lender can apply to the court clerk for an order of sale. The court clerk will issue the order of sale on the lender’s application after the expiration of thirty (30) days from the date of the judgment. The order of sale directs an officer of the law to seize and sell the property in satisfaction of the debt. The sale is accomplished in accordance with the final decree/judgment issued by the Court. A Court ordered sale usually takes place under the supervision of an officer of the law in the courthouse of the County where the Property is located. The sale can be made under the terms and conditions set forth in the applicable state statutes. In Texas, public auctions are held. Bids are received and the property is sold to the highest bidder. Since it is a public sale, anyone can participate and the mortgagor, mortgagee and other lien holders or complete strangers are all competent to bid and purchase the property.

After the judicial foreclosure sale concludes, the officer must disburse the proceeds of the sale and issue a Trustee’s Deed to the winning bidder, which conveys the property to the purchaser and by statute it passes title to the purchaser. The title obtained by the purchaser may be subject to other mortgages, liens, or possibly parties who are in possession of the property, whose interests were not extinguished by the foreclosure proceedings.

If for some reason the bidder at the sale does not pay the clerk or for some other valid reason the Court sets aside the sale, a resale can be ordered. Additionally, if the sale proceeds are not sufficient to cover the amount secured by the security interest, a lender may be able to obtain a deficiency judgment based on the fair market value of the property. Once again, compliance with statutory prerequisites for sale must be followed. Judicial foreclosure of a mortgage may take one year or longer to complete. Generally, the action is initiated by the service of legal proceedings on all parties having an interest of record in the real property. Delays in completion of the judicial foreclosure occasionally may result from difficulties in locating necessary parties’ defendant. Also, when the mortgagee’s right to foreclose is contested, the legal proceedings necessary to resolve the issue can be time consuming.

**Non-Judicial Foreclosure of Deed of Trust.** Non-Judicial foreclosure is governed by the applicable statutes of the state of Texas. Non-judicial foreclosure is a contractual right arising only where a power of sale is expressly granted by the borrower in the subject deed of trust. The power of sale clause allows a trustee or substitute trustee to proceed with a non-judicial foreclosure of the secured property if the borrower is in breach of a material obligation under the terms of the deed of trust. The process of completing a non-judicial foreclosure involves providing borrower notice of acceleration of the loan followed by a cure period for borrower. If borrower does not cure and the cure period expires, Lender can issue a notice of sale and arrange for the trustee to conduct a public sale, which typically takes place at the courthouse in the county in which the property is located. Non-judicial foreclosure in Texas does not require a court order to foreclose so long as strict statutory requirements are met.

**Bankruptcy.** The filing of a bankruptcy petition by the mortgagor automatically stays all foreclosure proceedings. It is common for mortgagors in default under a mortgage to petition a Bankruptcy Court for some form of bankruptcy when a forbearance agreement or other settlement agreement is not reached with the mortgagee/lender.

## Redemption at Option of the Church

The redemption provisions relating to the 2019 Series Bonds will also have a corresponding effect on the Beneficial Interests owned by the Beneficial Owners. At the option of the Church and upon not less than fifteen days written notice to Registered Owners of record, the 2019 Series Bonds may be redeemed by the payment of principal and accrued interest to the date fixed for redemption. The 2019 Series Bonds may be redeemed at the option of the Church without penalty. See “Risk Factors” No. 6. If the principal amount of the 2019 Series Bonds to be redeemed is the total of the 2019 Series Bonds outstanding, redemption at the option of the Church may occur on any day of any month. If the principal amount of the 2019 Series Bonds to be redeemed is less than the total amount of the 2019 Series Bonds outstanding, redemption at option of the Church may only occur on the first day of any month.

If the amount of the 2019 Series Bonds specified for redemption is less than all of the 2019 Series Bonds outstanding or less than all of the 2019 Series Bonds in a maturity subject to redemption, Stifel shall determine and designate by lot those portions of the 2019 Series Bonds (i.e., those Beneficial Interests) of a particular maturity to be redeemed from the serial and term maturities designated by the Church. In the case of redemptions which are not pursuant to the mandatory redemption provisions of the Trust Indenture, the 2019 Series Bonds may be called for redemption in any order of maturity as determined by the Church. No defect in the execution or giving any notice of redemption shall affect the validity of the redemption of any Bond.

## Maturity Provisions

This series of 2019 Series Bonds will be sold in the following amounts with the following maturities, paying the following rates:

Maturity	Amount	Rate	CUSIP		Maturity	Amount	Rate	CUSIP
Nov. 4, 2024	\$1,208,000*	4.25%	493402 AA9		Nov. 4, 2034	\$ 3,202,000*	5.80%	493402 AD3
Nov. 4, 2026	\$ 899,000*	4.80%	493402 AB7		Nov. 4, 2044	\$10,158,000*	6.25%	493402 AE1
Nov. 4, 2029	\$1,533,000*	5.50%	493402 AC5					

\* Subject to Mandatory Redemption Provisions discussed below.

## Mandatory Redemption Provisions — First Intermediate Term Bonds

All Term Bonds having a maturity date of November 4, 2024 (herein, the “First Intermediate Term Bonds”), are subject to mandatory redemption by the Church on the dates and in the principal amounts set forth in the table below, at a price equal to the principal amount of the First Intermediate Term Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

Date of Redemption	Amount		Date of Redemption	Amount
May. 4, 2022	\$191,000		Nov. 4, 2023	\$203,000
Nov. 4, 2022	\$195,000		May. 4, 2024	\$208,000
May. 4, 2023	\$199,000		Nov. 4, 2024	\$212,000

On November 4, 2024, the balance of the principal amount of the First Intermediate Term Bonds, if not theretofore redeemed, will become due and payable.

Beneficial Interests in the First Intermediate Term Bonds to be redeemed through the operation of the mandatory redemption provisions shall be selected by lot by Stifel from those Beneficial Interests in those First Intermediate Term Bonds which remain outstanding.

## Mandatory Redemption Provisions — Second Intermediate Term Bonds

All Term Bonds having a maturity date of November 4, 2026 (herein, the “Second Intermediate Term Bonds”), are subject to mandatory redemption by the Church on the dates and in the principal amounts set forth in the table below, at a price equal to the principal amount of the Second Intermediate Term Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

Date of Redemption	Amount		Date of Redemption	Amount
May. 4, 2025	\$217,000		May. 4, 2026	\$227,000
Nov. 4, 2025	\$222,000		Nov. 4, 2026	\$233,000

On November 4, 2026 the balance of the principal amount of the Second Intermediate Term Bonds, if not theretofore redeemed, will become due and payable.

Beneficial interest in the Second Intermediate Term Bonds to be redeemed through the operation of the mandatory redemption provisions shall be selected by lot by Stifel from those Beneficial Interests in those Second Intermediate Term Bonds which remain outstanding.

### **Mandatory Redemption Provisions — Third Intermediate Term Bonds**

All Term Bonds having a maturity date of November 4, 2029 (herein, the “Third Intermediate Term Bonds”), are subject to mandatory redemption by the Church on the dates and in the principal amounts set forth in the table below, at a price equal to the principal amount of the Third Intermediate Term Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

<b>Date of Redemption</b>	<b>Amount</b>		<b>Date of Redemption</b>	<b>Amount</b>
May. 4, 2027	\$238,000		Nov. 4, 2028	\$259,000
Nov. 4, 2027	\$245,000		May. 4, 2029	\$266,000
May. 4, 2028	\$252,000		Nov. 4, 2029	\$273,000

On November 4, 2029, the balance of the principal amount of the Third Intermediate Term Bonds, if not theretofore redeemed, will become due and payable.

Beneficial Interests in the Third Intermediate Term Bonds to be redeemed through the operation of the mandatory redemption provisions shall be selected by lot by Stifel from those Beneficial Interests in those Third Intermediate Term Bonds which remain outstanding.

### **Mandatory Redemption Provisions — Fourth Intermediate Term Bonds**

All Term Bonds having a maturity date of November 4, 2034 (herein, the “Fourth Intermediate Term Bonds”), are subject to mandatory redemption by the Church on the dates and in the principal amounts set forth in the table below, at a price equal to the principal amount of the Fourth Intermediate Term Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

<b>Date of Redemption</b>	<b>Amount</b>		<b>Date of Redemption</b>	<b>Amount</b>
May. 4, 2030	\$280,000		Nov. 4, 2032	\$324,000
Nov. 4, 2030	\$289,000		May. 4, 2033	\$333,000
May. 4, 2031	\$297,000		Nov. 4, 2033	\$343,000
Nov. 4, 2031	\$306,000		May. 4, 2034	\$353,000
May. 4, 2032	\$314,000		Nov. 4, 2034	\$363,000

On November 4, 2034, the balance of the principal amount of the Fourth Intermediate Term Bonds, if not theretofore redeemed, will become due and payable.

Beneficial Interests in the Fourth Intermediate Term Bonds to be redeemed through the operation of the mandatory redemption provisions shall be selected by lot by Stifel from those Beneficial Interests in those Fourth Intermediate Term Bonds which remain outstanding.

### **Mandatory Redemption Provisions — Final Term Bonds**

All Term Bonds having a maturity date of November 4, 2044 (herein, the “Final Term Bonds”), are subject to mandatory redemption by the Church on the dates and in the principal amounts set forth in the table below, at a price equal to the principal amount of the Final Term Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

<b>Date of Redemption</b>	<b>Amount</b>		<b>Date of Redemption</b>	<b>Amount</b>
May. 4, 2035	\$373,000		May. 4, 2040	\$508,000
Nov. 4, 2035	\$385,000		Nov. 4, 2040	\$524,000
May. 4, 2036	\$397,000		May. 4, 2041	\$540,000
Nov. 4, 2036	\$409,000		Nov. 4, 2041	\$557,000
May. 4, 2037	\$422,000		May. 4, 2042	\$574,000
Nov. 4, 2037	\$435,000		Nov. 4, 2042	\$592,000
May. 4, 2038	\$449,000		May. 4, 2043	\$611,000
Nov. 4, 2038	\$463,000		Nov. 4, 2043	\$630,000
May. 4, 2039	\$477,000		May. 4, 2044	\$650,000
Nov. 4, 2039	\$492,000		Nov. 4, 2044	\$670,000

On November 4, 2044, the balance of the principal amount of the Final Term Bonds, if not theretofore redeemed, will become due and payable.

Beneficial Interest in the Final Term Bonds to be redeemed through the operation of the mandatory redemption provisions shall be selected by lot by Stifel from those Beneficial Interests in those Final Term Bonds which remain outstanding.

## **Sinking Fund**

The Church covenants and agrees that, so long as any bonds issued under the Trust Indenture or any supplement thereto are outstanding, it will periodically pay into a Sinking Fund Account established under the Trust Indenture and held by the Trustee, funds sufficient to pay the principal and interest, as it becomes due and payable, on all bonds issued under the Trust Indenture or any supplement thereto.

The Church shall make weekly deposits to the Sinking Fund Account, with respect to the 2019 Series Bonds, in the amount of \$21,070 commencing November 15, 2019, through and including May 1, 2020, and in the amount of \$19,450 commencing May 8, 2020, through and including October 29, 2021, and in the amount of \$26,800 commencing November 5, 2021, and each seven days thereafter while any 2019 Series Bonds are outstanding and unpaid except that scheduled weekly deposits may be reduced in the event of redemption of outstanding 2019 Series Bonds at the option of the Church, and certain weekly deposits may be reduced through prepayment of such weekly deposits or through the accumulation of investment income in the Sinking Fund Account. The semi-annual payments of principal and interest on the 2019 Series Bonds will be made by the Trustee from amounts on deposit in the Sinking Fund Account.

The Trustee is required to mail to Stifel, Nicolaus & Company, Incorporated and to the Church copies of the monthly statements of transactions in the Sinking Fund Account.

## **Interest Payments**

Interest on the 2019 Series Bonds is computed based on the simple interest method of calculation. Interest on the 2019 Series Bonds from November 4, 2019 will be payable on May 4, 2020, and semi-annually thereafter on May 4 and November 4 of each year and at maturity or redemption. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Interest is payable by the Trustee to the persons appearing as the Registered Owners of the 2019 Series Bonds in the Bond Register at the close of business 15 days prior to said principal and interest payment date and then by Stifel to the Beneficial Owners as of the same applicable date. See “The 2019 Series Bonds — Book-Entry System.”

Funds on deposit for the purpose of paying principal and interest on the 2019 Series Bonds which remain unclaimed after six years following the latest date monies are provided to pay any indebtedness secured by the Trust Indenture shall be paid over to the Church upon written demand. After that date you may look only to the Church as unsecured creditors for payment of the 2019 Series Bonds.

Interest will not continue to accrue on the Beneficial Interests in the 2019 Series Bonds which are subject to redemption after a date fixed for redemption if notice of the redemption has been given to Registered Owners in accordance with the Trust Indenture, and if sufficient monies have been deposited with the Trustee to pay the principal and interest on the 2019 Series Bonds subject to redemption to the date fixed for redemption.

## **State and Federal Taxes**

No charitable deduction may be claimed as the result of the purchase of any 2019 Series Bonds.

Interest you receive is subject to applicable state or federal income tax as ordinary income. More specifically, for federal income tax purposes, the stated interest paid on the 2019 Series Bonds will be included in your “gross income”, and may be subject to federal income taxation when paid or accrued, depending upon your tax accounting method. Any gain or loss on the sale or exchange of a Bond is subject to applicable state and federal income tax laws. You are encouraged to consult with your tax advisors regarding the state and federal income tax consequences of an investment in the 2019 Series Bonds.

## **Additional Bonds**

The Trust Indenture provides for the issuance of additional bonds from time to time of such denominations, maturities, interest rates and redemption prices as the Church shall determine (see “Risk Factors” No. 9), provided that certain terms and conditions are met including the following:

- The proceeds of such additional bonds shall be used only for (a) payment of the cost of the purchase, construction or other acquisition of additions or improvement to the fixed property subject to the first lien of the Trust Indenture, or for fixtures, equipment, furniture, furnishings, apparatus and machinery located on or used in connection with such fixed property or (b) for retiring then existing indebtedness;
- The aggregate principal amount of bonds to be issued, together with bonds of prior series then outstanding and not to be refunded, shall be limited to 75% of the fair value, of the Fixed Property (as defined in the Trust Indenture), which will be subject to the first lien of the Trust Indenture as security for all of the bonds;
- The Church shall not then be in default under any provisions of the Trust Indenture, or any supplement thereto securing all of the bonds outstanding;
- The total long-term debt of the Church, including the additional bonds proposed to be issued, shall not exceed four times the annual cash receipts of the Church.

## **Covenants of the Church**

The following is a partial list of covenants made by the Church under the Trust Indenture which shall remain in full force and effect so long as any of the 2019 Series Bonds are outstanding:

- The Church will duly and punctually pay the principal of, premium (if any) and interest on all bonds outstanding under the Trust Indenture;
- The Church will not issue or permit to be issued any bonds under the Trust Indenture in any manner other than in accordance with the provisions of the Trust Indenture and will not suffer or permit any default to occur under the Trust Indenture, but will faithfully observe and perform all conditions, covenants, and requirements of the Trust Indenture;
- The Church will keep all its properties of a character usually insured by similar institutions insured against loss by fire with extended coverage to the extent of at least 100% of their full Replacement Value (as defined in the Trust Indenture) and will carry insurance against such other risks, including without limitation, public liability, in such reasonable amounts as may be available and as are usually carried by institutions of similar character and magnitude;
- The Church will keep the improvements on the property subject to the lien of the Trust Indenture in good repair and condition, and will keep said buildings occupied so as not to impair the insurance carried thereon;
- The Church will continuously maintain its non-profit status, and will continuously maintain its operations upon the New Church Site described in this Prospectus;
- The Church will make weekly deposits to the Sinking Fund Account of funds sufficient to pay, when due, the required semi-annual payments on all bonds issued and outstanding under the Trust Indenture.

## **Modification of the Trust Indenture**

By supplemental trust indentures between the Church and the Trustee, the rights and obligations of the Church and Registered Owners may be modified or amended with consent, by the Registered Owners of 66 2/3% in principal amount of bonds then outstanding. Bonds owned or controlled by the Church or by any officer, director, trustee or member of the Church, will not be included in determining whether the required consent of the Registered Owners has been received. The Trust Indenture also permits limited changes through supplemental trust indentures without the Registered Owners' consent when authorized by resolution of the governing body of the Church and approved by the Trustee. No modification or amendment shall, however, without the consent of the Registered Owner of each bond outstanding affected by such modification or amendment:

- extend the maturity of principal,
- reduce the rate of interest,
- modify the terms of paying principal or interest,
- except as otherwise provided in the Trust Indenture, permit the creation of any lien prior to or on a parity with the lien of the Trust Indenture, or
- reduce the percentage in principal amount of Registered Owner consents required to modify the rights and obligations of the Church or the Registered Owners under the Trust Indenture, or take the actions described above.



## Completed Defaults, Notice and Remedies

Completed defaults as defined by the Trust Indenture include:

- (a) default continued for 30 days in the payment of interest,
- (b) default in the payment of principal,
- (c) default in any payment required under the mandatory redemption provisions,
- (d) certain events of bankruptcy, insolvency, receivership or reorganization described in the Trust Indenture,
- (e) default in observance of the covenants contained in the Trust Indenture and continuing for 60 days after written notice thereof by the Trustee to the Church, and
- (f) default continued for 30 days in the payment of any installment to the Sinking Fund Account.

In the event of a completed default under (e) above, the Trustee shall, and in the event of a completed default under (a), (b), (c), (d), or (f) above, the Trustee may, and upon request of Registered Owners of not less than 25% in principal amount of bonds issued under the Trust Indenture and then outstanding shall, declare the principal of all bonds, together with accrued interest thereon, to be due and payable immediately. The remedies provided in the Trust Indenture following an acceleration of the bonds then outstanding include without limitation the power to sell the collateral securing the bonds to the highest bidder at public auction. The right of the Registered Owners of the bonds to conduct or initiate remedies or proceedings following a completed default is restricted by the Trust Indenture.

## Defeasance

The Trust Indenture, and the estate and rights granted thereunder, shall cease, terminate and become void if:

- the Church shall have paid or caused to be paid all sums payable by it under the terms of the Trust Indenture, and
- the Church shall have paid or provided for the full payment of the principal and interest on all bonds outstanding under the Trust Indenture in the manner permitted by the Trust Indenture.

## Trustee's Compensation

As part of the cost of issuing the 2019 Series Bonds, the Trustee will charge the Church an acceptance fee of \$12,700. For routine services related to its administration under the Trust Indenture, the Trustee will charge the Church various fees and disbursements, including an annual fee, fees related to the payment of principal and interest and filing related 1099 forms with the Internal Revenue Service, fees related to redemptions, and administration fees related to holding trust accounts. In the aggregate, the fees and expenses of the Trustee for such routine services in the year following the issuance of the 2019 Series Bonds is expected to approximate \$11,900.

## Litigation

There is no litigation pending against the Church as of the date of this Prospectus. Additionally, management of the Church has no knowledge of any litigation threatened against the Church, (i) which in any way questions or affects the validity of the 2019 Series Bonds, or any proceedings or transactions relating to their issuance, sale and delivery, or (ii) which would, if adversely determined, cause any material adverse change in the financial condition of the Church.

## Accounting

**Independent Auditor.** The financial statements of the Church for the years ended December 31, 2016, 2017, and 2018, are included in this Prospectus and have been audited by CapinCrouse LLP, Grapevine, Texas, whose reports appear elsewhere in this Prospectus, and are included in reliance upon the authority of said firm as professionals in accounting and auditing.

**Compiled Financial Statements.** The financial statements for the seven-month periods ended July 31, 2018 and July 31, 2019, have been compiled by Stanfield + O'Dell, P.C., Tulsa, Oklahoma, whose report appears elsewhere in this Prospectus. As to such financial statements, Stanfield + O'Dell, P.C. expresses no opinion. Stanfield + O'Dell, P.C. provides monthly accounting services, outside of auditing, to the Church on a regular basis. Stanfield + O'Dell, P.C., including any of its employees, does not have any direct or indirect relationship with the Church; "relationship" being defined as a family relationship with any officers, trustees or directors of the Church, any employee relationship, or any relationship for financial interest.

## Legal Opinions

Certain legal matters relating to this issue of 2019 Series Bonds will be passed upon by Middlebrook | Goodspeed, PLLC, Grapevine, Texas, legal counsel for the Church and certain legal matters will be passed upon by Quarles & Brady LLP, Milwaukee, Wisconsin, legal counsel for Stifel, Nicolaus & Company, Incorporated.

## Underwriting

Stifel, Nicolaus & Company, Incorporated ("Stifel") has executed an Underwriting Agreement (the "Underwriting Agreement") with the Church regarding Stifel's purchase of the 2019 Series Bonds. Pursuant to the terms and conditions of the Underwriting Agreement, Stifel must purchase all \$17,000,000 principal amount of the 2019 Series Bonds. The obligation of Stifel to accept delivery of the 2019 Series Bonds, however, is subject to various conditions set forth in the Underwriting Agreement. After accepting delivery of the 2019 Series Bonds, Stifel shall deposit the net Bond proceeds (i.e., the gross Bond proceeds, less Stifel's underwriting discount and reimbursable expenses) into a special account held by the Trustee to complete the Project described herein.

Stifel, Nicolaus & Company, Incorporated may allow other broker/dealers who are members of the Financial Industry Regulatory Authority (FINRA) to participate in this offering by purchasing the 2019 Series Bonds at less than the public offering price and reoffering these 2019 Series Bonds to the public at the offering price. In that event, Stifel, Nicolaus & Company, Incorporated will not retain the entire Underwriting Discount set forth on the front page of this Prospectus.

The Underwriting Discount on Beneficial Interests in the 2019 Series Bonds purchased by the general public will be 5.25%.

The total estimated issuance expenses in connection with the issuance of the 2019 Series Bonds are \$365,500 (which includes the referral fee paid to Share Financial in the amount of \$212,500). Of this amount, \$55,000 is expected to be incurred by the Church and paid with Church cash. The Church has agreed, in the Underwriting Agreement, to pay other estimated issuance expenses totaling \$98,000, which includes the legal fees and disbursements of Stifel's counsel, estimated at \$65,000. In addition, the Church has agreed, in the Underwriting Agreement to indemnify Stifel, Nicolaus & Company, Incorporated against certain liabilities, including liabilities under the Securities Act of 1933, as amended. The obligation of Stifel to accept delivery of the 2019 Series Bonds is subject to various conditions set forth in the Underwriting Agreement.

In addition, the Church has agreed, in the Underwriting Agreement, to indemnify and hold harmless Stifel against any loss, claim liability or expense insofar as such loss, claim, liability or expense is based on the ground that this Prospectus includes any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made not misleading unless such statement or omission was made in reliance upon information furnished by Stifel in this Underwriting section of this Prospectus.

As part of this financing, the Church will establish a Project fund with the Trustee that will hold net bond proceeds until they are withdrawn and expended. Under the terms of the Indenture, the Church may direct the Trustee to invest the funds within the parameters established in the Indenture. It is possible that the Church will elect to hire Ziegler Capital Management, LLC ("Ziegler"), a wholly owned subsidiary of Stifel Financial Corp to direct the investment of these funds. In the event the Church elects to hire Ziegler, or some other firm to direct the investments, additional Trustee fees may apply. At this time no relationship with Ziegler has been formally established.

## **Additional Information**

The Church is obligated to provide the Trustee with an audit report containing the financial statements of the Church within one hundred twenty (120) days following the expiration of each fiscal year. Upon receipt, the Trustee will make the financial statements available to the public on its website. In addition to the financial statements of the Church, the Trust Indenture requires the Trustee from time to time to make certain other information about the Church available to the public. That information will be accessible by the Beneficial Owners at [www.tmico.com](http://www.tmico.com). See “The 2019 Series Bonds — Covenants of the Church.”

## Selected Definitions of Terms Used in this Prospectus

2019 Series Bonds:	The 2019 Series Bonds of Keystone Church being offered by this Prospectus.
Administrator:	The state securities commissioner or administrator of a state in which the 2019 Series Bonds will be offered for sale.
Audited Financial Statements:	Financial statements that have been audited and reported upon by independent Certified Public Accountants in accordance with generally accepted auditing standards of the American Institute of Certified Public Accountants.
Beneficial Interest (in 2019 Series Bonds):	Stifel, as a DTC-Participant, is underwriting the sale of Beneficial Interests in the 2019 Series Bonds to Investors in the aggregate principal amount of \$17,000,000. These Beneficial Interests will have interest rates, redemption provisions and rights identical to the 2019 Series Bonds. This is accomplished in part, as a result of the Omnibus Proxy, described herein, and Stifel's customary practices with respect to securities held in bearer form or "street name." See "The 2019 Series Bonds — Book Entry System."
Beneficial Owner:	An Investor who purchases a Beneficial Interest in the 2019 Series Bonds.
Change in Net Assets Before Other Changes:	The amount of change in net assets that is available for sinking fund payments based on the "Change in Net Assets" as reported in the Statement of Activities of the Church and adjusted on a pro forma basis to reflect the elimination or addition of the following items reported in the Statement of Activities of the Church: (a) depreciation and amortization expenses; (b) interest expense; (c) rent expense for facilities to be replaced or discontinued; (d) contributions received for the building project or purpose of the offering of 2019 Series Bonds and classified as temporarily restricted for such use, less any amount reclassified to unrestricted net assets; (e) unusual, infrequent or nonrecurring revenues or expenses; and (f) gains or losses from incidental or non-operating transactions, as the case may require. This amount is similar to pro forma earnings in an earnings to fixed charges comparison for a business enterprise. "Pro forma" adjustments and information must not be confused with or include any projected or forecasted information.
Church:	Keystone Church, the religious organization which offers and sells the 2019 Series Bonds.
Debt-Service Coverage Ratio:	The ratio determined by dividing the amount of the adjusted increase in unrestricted net assets by the sum of the annualized amount of sinking fund payments required to repay all outstanding 2019 Series Bonds based on straight line amortization plus annual payments required on other long term debt that will remain outstanding after issuance of the 2019 Series Bonds.
Deed of Trust:	The instrument which creates a beneficial real property security interest on the New Church Site for the collateral security of the 2019 Series Bonds.
Default:	Any failure by the Church to fulfill any one or more of its obligations or commitments under the Trust Indenture which continues for thirty (30) days or more without being cured or waived, and a failure to make a scheduled payment of principal or interest to bondholders when due.
Fixed Property:	The land and real property comprising the New Church Site, including all buildings and improvements constructed or placed thereon, and all moveable fixtures, equipment, furniture and machinery used or stored thereon.
GAAP:	Generally Accepted Accounting Principles in the United States as established by the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB), Accounting Research Bulletins (ARB), and American Institute of Certified Public Accountants (AICPA). The <i>AICPA Audit and Accounting Guide for Not-For-Profit Organizations</i> provides guidance on specific GAAP for non-profit organizations.

Investor:	A person who is offered or purchases a Beneficial Interest in a 2019 Series Bond.
Net Assets Without Donor Restrictions:	The part of net assets of a non-profit organization that does not have a donor-imposed restriction stipulation.
Not-For-Profit Organization:	An entity as described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended, that possesses the following characteristics that distinguish it from a business enterprise: (a) contributions of significant amounts of resources from resource providers who do not expect commensurate or proportionate pecuniary return, (b) operating purposes other than to provide goods or services at a profit, and (c) absence of ownership interests like those of business enterprises.
Paying Agent:	A nominee, independent of the Church and the broker-dealer, designated by the Church to make payments to you on behalf of the Church pursuant to a Trust Indenture. Unless otherwise allowed by state law or the administrator, the paying agent shall be a financial institution or trust company, other than an individual, that is domiciled in the United States, regulated and subject to regular compliance examinations by a state or federal agency in the United States and independent of the Underwriter.
Permitted Encumbrances:	<p>The term "Permitted Encumbrances" as of any particular time shall mean:</p> <ol style="list-style-type: none"> <li>(1) the lien of taxes and assessments not delinquent;</li> <li>(2) the lien of taxes and assessments already due but the validity of which is being contested at the time by the Church in good faith, unless thereby in the opinion of counsel (who may be counsel for the Church) or of the Trustee any of the Trust Estate may be lost or forfeited;</li> <li>(3) undetermined liens or charges incidental to construction, except such as may result from any delinquent obligation of the Church for the payment of money on account of such construction;</li> <li>(4) easements, rights of way, zoning ordinances, licenses, reservations or restrictions, and agreements for the joint or common use of the Trust Estate, which do not materially impair the use of the Trust Estate by the Church for its operations;</li> <li>(5) unrecorded leases, if any, and rights of all parties claiming thereunder on encumbered property arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of Obligor;</li> <li>(6) rights of lessors to, or purchase-money liens or charges upon, fixtures, equipment or other personal property leased or purchased by the Church under conditional sales, lease-purchase or other title retention or security agreements until, in the case of purchases, such time as they are fully paid;</li> <li>(7) possible adverse rights or interests and inconsequential defects or irregularities of title which, in the opinion of counsel (who may be counsel to the Church) delivered to the Trustee, do not materially affect the security for the Bonds or the Church's title to or its right to use the Trust Estate in its operations and which may properly be disregarded; and</li> <li>(8) any lien created hereunder in favor of the Trustee with respect to advances made by the Trustee on behalf of the Church and with respect to reasonable compensation due the Trustee which remains unpaid;</li> <li>(9) any lien created in connection with the issuance of Additional Bonds if such lien equally and ratably secures all Bonds outstanding under the Indenture;</li> <li>(10) any requirement or lien of any Governmental Agency so long as the validity thereof shall be contested in good faith and by necessary and appropriate legal proceedings by the Church, and provided notice thereof in writing is given by the Church to the Trustee;</li> </ol>



- (11) utility, access and other easements and rights-of-way, restrictions, encumbrances and exceptions which do not materially interfere with or materially impair the operation of the property affected thereby (or, if such property is not being then operated, the operation for which it was designed or last modified);
- (12) such liens, defects, irregularities of title and encroachments on adjoining property as normally exist with respect to property similar in character to the property involved and which do not materially adversely affect the value of, or materially impair, the property affected thereby for the purpose for which it was acquired or is held by the owner thereof;
- (13) zoning laws and similar restrictions which are not violated by the property affected thereby; and
- (14) those exceptions to loan title in the ALTA Lender's Policy of Title Insurance issued by Old Republic National Title Insurance Company, issued through the office of Trinity Title of Texas, LLC, Colleyville, Texas, in connection with this financing considered to be permitted exceptions. See "Security".

Person:	An individual, a corporation, a limited liability company, a partnership, an association, organization, a government, or a political subdivision of a government, or other legal entity.
Prospectus:	The disclosure document prepared in consultation with the Church which will assist you in making an informed investment decision with respect to the purchase of a Bond.
Registered Owner (of the 2019 Series Bonds):	In order to maintain a Book-Entry System with respect to the 2019 Series Bonds, Cede & Co., a partnership nominee of the Depository Trust Company ("DTC"), will be registered as the actual owner of the 2019 Series Bonds and will hold the physical certificates representing the 2019 Series Bonds through its custodian, TMI Trust Company.
Replacement Value:	The cost to replace all buildings and similar structures which are subject to the Trust Indenture, per the Marshall & Swift replacement cost methodology and replacement cost data, or, a similar methodology and similar data, if the Marshall & Swift data is no longer available. Notwithstanding the foregoing, Replacement Value for the initial three years that Bonds are outstanding under the Trust Indenture shall mean the valuation of such buildings and structures as described in the Prospectus, or other offering document, used in the sale of such Bonds to the public.
Sinking Fund:	An account by any name that is required by the Trust Indenture and administered by the Trustee or paying agent for the purpose of receiving and accumulating payments from the Church in amounts sufficient to meet all required interest payments and principal repayments during the term that any 2019 Series Bonds are outstanding according to an amortization schedule specified or required by the Trust Indenture.
Straight Line Amortization:	A method of scheduling the payments of principal and interest on 2019 Series Bonds in such a manner that all payments are equal and the final payment retires the remaining principal and interest. The period for amortization does not exceed 25 years.
Supplemental Bond Issue:	Any issuance of a new series of bonds by a Church following an issuance by that same Church of bonds that remain outstanding after the new issue, including a new series of bonds issued under an amendment to the original Trust Indenture.
Trustee:	The person, independent of the Church and Underwriter, that is domiciled within the United States, regulated and subject to examination by a state or federal agency in the United States, and whose primary responsibility with respect to an offering of 2019 Series Bonds is representing the interest of bondholders through administration and enforcement of the Trust Indenture. The Trustee may serve as the paying agent and/or service agent pursuant to the Trust Indenture, if qualified. Currently, TMI Trust Company, Fort Worth, Texas, is acting as Trustee under the Trust Indenture.

Trust Indenture: The governing document that; defines responsibilities of the Trustee for protecting the interest of bondholders and assets of the Church which secure the 2019 Series Bonds; and specifies the rights of bondholders and responsibilities of the Church in relation to the issuance and repayment of the 2019 Series Bonds.

Underwriter: The broker-dealer that enters a contractual agreement with the Church to offer and sell the 2019 Series Bonds on behalf of the Church to investors, and subject to requirements of each state, is registered with the administrators in states where the 2019 Series Bonds are offered and sold. The underwriting agreement between the broker-dealer and the Church specifies a “firm” underwriting in which the broker-dealer agrees to purchase all of the 2019 Series Bonds in an offering for resale to investors.

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Financial Statements  
And  
Accountants' Compilation Report

Keystone Church  
July 31, 2019 and 2018

**STANFIELD + O'DELL, P.C.**  
**CONSULTANTS AND CERTIFIED PUBLIC ACCOUNTANTS**  
**1350 SOUTH BOULDER, SUITE 800**  
**TULSA, OK 74119**

**ACCOUNTANTS' COMPILATION REPORT**

To the Board of Directors  
Keystone Church  
Keller, Texas

Management is responsible for the accompanying financial statements of Keystone Church (a Texas not-for-profit corporation) which comprise the statement of financial position as of July 31, 2019 and 2018, the statement of activities and statements of cash flow for the seven month periods then ended, and the related notes to the financial statements in accordance with the accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management and we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We are not independent with respect to Keystone Church.

*Stanfield + O'Dell, P.C.*

Tulsa, Oklahoma  
September 13, 2019



Keystone Church  
Statement of Financial Position  
July 31, 2019 and 2018

	July 31, 2019	July 31, 2018
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 2,774,267	\$ 6,007,114
Prepaid expenses and other current assets	347,436	174,287
	3,121,703	6,181,401
Property and equipment-net	6,737,337	5,299,534
	\$ 9,859,040	\$ 11,480,935
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts Payable and Credit Cards	\$ 118,670	\$ 120,577
Accrued expenses and other current liabilities	28,148	24,405
Note payable (all current)	0	3,698,971
	146,818	3,843,953
Net Assets		
Unrestricted	1,711,467	2,182,799
Temporarily Restricted	8,000,755	5,454,183
	9,712,222	7,636,982
Total Net Assets	\$ 9,859,040	\$ 11,480,935

See notes to financial statements

KEYSTONE CHURCH

Statement of Activities

	Seven Months Ended July 31, 2019			Seven Months Ended July 31, 2018		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 1,848,610	\$ 917,648	\$ 2,766,258	\$ 1,887,572	\$ 409,504	\$ 2,297,076
Ministry activities income	\$ 228,968	\$ -	\$ 228,968	\$ 248,545		\$ 248,545
Other income	\$ 44,547	\$ -	\$ 44,547	\$ 11,855		\$ 11,855
<b>Total Support and Revenue</b>	<b>\$ 2,122,125</b>	<b>\$ 917,648</b>	<b>\$ 3,039,773</b>	<b>\$ 2,147,972</b>	<b>\$ 409,504</b>	<b>\$ 2,557,476</b>
<b>RECLASSIFICATIONS:</b>						
Purpose restrictions	\$ 106,958	\$ (106,958)		\$ 283,356	\$ (283,356)	
<b>EXPENSES:</b>						
Program services:						
Church activities	\$ 1,742,061	\$ -	\$ 1,742,061	\$ 1,660,735		\$ 1,660,735
Missions	\$ 36,860	\$ -	\$ 36,860	\$ 50,024		\$ 50,024
	\$ 1,778,921	\$ -	\$ 1,778,921	\$ 1,710,759	\$ -	\$ 1,710,759
Supporting activities:						
General and administrative	\$ 297,269	\$ -	\$ 297,269	\$ 253,341		\$ 253,341
Fundraising	\$ 80,594	\$ -	\$ 80,594	\$ 94,357		\$ 94,357
	\$ 377,863	\$ -	\$ 377,863	\$ 347,698	\$ -	\$ 347,698
<b>Total Expenses</b>	<b>\$ 2,156,784</b>	<b>\$ -</b>	<b>\$ 2,156,784</b>	<b>\$ 2,058,457</b>	<b>\$ -</b>	<b>\$ 2,058,457</b>
<b>Change in Net Assets</b>	<b>\$ 72,299</b>	<b>\$ 810,690</b>	<b>\$ 882,989</b>	<b>\$ 372,871</b>	<b>\$ 126,148</b>	<b>\$ 499,019</b>
Net Assets, Beginning of Period	\$ 1,639,168	\$ 7,190,065	\$ 8,829,233	\$ 1,809,928	\$ 5,328,035	\$ 7,137,963
Net Assets, End of Period	\$ 1,711,467	\$ 8,000,755	\$ 9,712,222	\$ 2,182,799	\$ 5,454,183	\$ 7,636,982

See notes to financial statements

KEYSTONE CHURCH

Statement of Cash Flows  
Seven Months Ended July 31, 2019 and 2018

	<u>July 31, 2019</u>	<u>July 31, 2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 882,991	\$ 499,019
Adjustments to reconcile change in net assets to net cash provided(used) by operating activities:		
Depreciation	46,772	40,659
Cash contributions restricted for long-term purposes	(917,648)	(409,504)
Changes in operating assets and liabilities:		
Prepaid expense and other current assets	(80,272)	(44,597)
Accounts Payable	(61,412)	(28,342)
Accrued expenses and other current liabilities	-	104
Net Cash Provided (Used) by Operating Activities	<u>\$ (129,569)</u>	<u>\$ 57,339</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(1,272,228)</u>	<u>(243,404)</u>
Net Cash used by Investing Activities	<u>\$ (1,272,228)</u>	<u>\$ (243,404)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash contributions restricted for long-term purposes	917,648	409,504
Notes Payable (current)	<u>(3,698,971)</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>\$ (2,781,323)</u>	<u>\$ 409,504</u>
Net Change in Cash and Cash Equivalents	(4,183,120)	223,439
Cash and Cash Equivalents, Beginning of Period	<u>6,957,387</u>	<u>5,783,675</u>
Cash and Cash Equivalents, End of Period	<u><u>\$ 2,774,267</u></u>	<u><u>\$ 6,007,114</u></u>

See notes to financial statements

## KEYSTONE CHURCH

### Notes to Financial Statements

July 31, 2019 and 2018

#### 1. NATURE OF ORGANIZATION:

Keystone Church (the Church) is an incorporated church of approximately 1,400 attendees, located in Keller, Texas. Keystone Church is a church for everyone. The Church was founded in 2004 by Dr. Brandon and Susan Thomas in their home with a mission of leading others to experience a passionate life in Christ with the words, "Love God, Love Others, Love Life." Since their incorporation, the Church has been reaching people through creative worship and preaching, as well as other ministry outreaches. The Church's primary source of support and revenue is contributions from its attendees. A significant amount of the Church's programs and activities occur through Church volunteers. The value that these volunteers contribute do not qualify as contributed services for the Church, but the services provided to the Church are a vital part of the Church's operations.

The Church operates as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), and is not a private foundation under Section 509(a) of the Code.

#### 2. SUMMARY OF ACCOUNTING POLICIES:

The financial statements of the Church have been prepared on the accrual basis of accounting. The Church uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. 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 checking and money market accounts. At July 31, 2019 and 2018, the Church's cash balances exceeded federally insured limits by \$3,161,045 and \$5,309,964, respectively. The Church does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

##### PROPERTY AND EQUIPMENT—NET

Property and equipment are stated at cost, or if donated, at the estimated fair market value at the date of donation. Property donated with restrictions regarding its use and contributions of cash to acquire property are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from temporarily restricted net assets to unrestricted net assets at that time. Depreciation and amortization expense is recorded using the straight-line method over estimated useful lives of 5-30 years for property and equipment. Items with a cost or fair value exceeding \$500 are capitalized.

KEYSTONE CHURCH  
Notes to Financial Statements  
July 31, 2019 and 2018

2. SUMMARY OF ACCOUNTING POLICIES, continued:

NET ASSETS

The financial statements report amounts separately by class of net assets:

*Unrestricted net assets* are currently available for use at the discretion of the board, as well as resources invested in property and equipment.

*Temporarily restricted net assets* are those stipulated by donors for specific operating purposes or programs and capital campaigns. Reclassifications are made when the restrictions have been fulfilled. Capital expenditures are released when expended.

SUPPORT, REVENUE, AND EXPENSES

Contributions are recognized as income when made, which may be when cash is received or unconditionally promised. The Church receives the majority of its support in the form of voluntary tithes and offerings. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Gifts of cash and other assets are reported as restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Expenses are recorded when incurred.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting activities. The Church's program services consist of church program activities and support funding for mission activities.

ADVERTISING

The Church uses advertising to encourage members of the community to attend a service. Advertising costs are expensed as incurred. Advertising expense for the periods ended July 31, 2019 and 2018, were \$60,105 and \$60,000, respectively.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In 2016, The Financial Account Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, ***Presentation of Financial Statements of Not-For-Profit Entities***. The Church adopted the provisions of this standard during the year ended December 31, 2018. In addition to the changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 3 and the functional allocation of expenses (Note 7)

KEYSTONE CHURCH  
Notes to Financial Statements  
July 31, 2019 and 2018

3. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Church's financial assets as of July 31, 2019 and 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, board designated for specific purposes, and perpetual endowments and accumulated earnings net of appropriations within one year.

	July 31, 2019	July 31, 2018
Financial Assets:		
Cash and cash equivalents	\$ 2,774,267	\$ 6,007,114
Other liquid assets (included in prepaid expenses and other assets)	347,436	126,604
Financial assets, at end of period	3,121,703	6,133,718
Less those unavailable for general expenditure within one year due to:		
Assets restricted by donors for capital projects	(2,182,956)	(5,328,035)
Total unavailable	(2,182,956)	(5,328,035)
Financial assets available to meet cash needs for the general expenditures within one year	\$ 938,747	\$ 805,683

The church has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Church reviews its cash needs on a daily basis and also reviews its budgeted cash flow for future needs and adjusts accordingly to maintain cash balance as needed.



KEYSTONE CHURCH  
Notes to Financial Statements  
July 31, 2019 and 2018

4. PROPERTY AND EQUIPMENT –NET:

Property and equipment–net consists of:

	July 31, 2019	July 31, 2018
Land	\$4,307,880	\$4,221,417
Furniture and equipment	522,546	489,388
Computer equipment	148,594	124,613
Leasehold improvements	435,990	435,990
	<u>5,415,010</u>	<u>5,271,408</u>
Accumulated depreciation	(796,502)	(719,179)
	<u>4,618,508</u>	<u>4,552,229</u>
Construction in progress	2,118,828	747,305
	<u>\$6,737,336</u>	<u>\$5,299,534</u>

Equity in property and equipment-net of related debt consists of:

Property and Equipment-net	\$6,737,336	\$5,299,534
Less related debt	<u>\$0</u>	<u>(\$3,698,971)</u>
	\$6,737,336	\$1,600,563
Less donor restricted equity in property and equipment	<u>(2,924,936)</u>	<u>(634,254)</u>
Without donor restricted equity in property and equipment-net	<u>\$3,812,400</u>	<u>\$966,309</u>

5. NOTE PAYABLE

Note payable as of July 31, 2018 consists of a note with a financial institution with original principal of \$3,700,000, secured by real property. Principal is due in one balloon payment at maturity. Payments include only interest until then. The note initially matured January 7, 2017, and bears interest at a nominal rate of 5.00%. In February 2017 the Church amended the loan agreement extending the due date with the same terms until July 7, 2017. The Church amended the loan agreement a second time in January 2018 extending the due date through July 7, 2018. Other terms remained the same. A third amendment extended the due date to January 7, 2019 and increased the interest rate to 5.5%. In January 2019 the loan was paid off with available funds from the building campaign.

KEYSTONE CHURCH  
Notes to Financial Statements  
July 31, 2019 and 2018

On January 4, 2019, the church entered a loan agreement with a regional bank for \$14,500,000 to finance the construction of their new Keller campus. As part of the agreement, the Church paid off the previous loan of \$3,698,971 from previous capital campaign funds. The loan is interest only for the first 24 months and then rolls into a variable interest rate loan with principal and interest loan payments due monthly through January 2046. The church has not drawn against this note as of July 31, 2019.

Interest expense for period ended July 31, 2019 was \$18,648.

With the payoff of the previous loan, the Church was in compliance or had waivers for all financial and reporting covenants at July 31, 2019.

6. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes:

	A Place to Call Home	Build This House	Total
Beginning balance, December 31, 2018	\$3,448,507	\$3,741,558	\$7,190,065
Temporarily restricted contributions:			
Cash contributions	-	917,648	917,648
Net assets released from restrictions:			
Fundraising expenses	-	(106,958)	(106,958)
Capitalized expenses	-	-	-
Ending balance, July 31, 2019	\$3,448,507	\$4,552,248	\$8,000,755
	A Place to Call Home	Build This House	Total
Beginning balance, December 31, 2017	\$3,465,307	\$1,862,728	\$5,328,035
Temporarily restricted contributions:			
Cash contributions	-	409,504	409,504
Net assets released from restrictions:			
Fundraising expenses	-	(94,357)	(94,357)
Capitalized expenses	-	(188,999)	(188,999)
Ending balance, July 31, 2018	\$3,465,307	\$1,988,876	\$5,454,183

KEYSTONE CHURCH  
Notes to Financial Statements  
July 31, 2019 and 2018

7. NATURAL CLASSIFICATION OF EXPENSES:

	Seven Months Ended July 31, 2019			
	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and benefits	\$696,924	\$103,889	\$12,772	\$813,585
Ministry expenses	463,375	16,586	-	479,961
Facilities	387,143	26,958	-	414,101
Office expenses	128,042	74,106	17,717	219,865
Postage and printing	26,975	29,728	50,105	106,808
Depreciation	39,602	7,170	-	46,772
Professional fees	-	38,832	-	38,832
Missions	36,860	-	-	36,860
Miscellaneous	-	-	-	-
Total	\$1,778,921	\$297,269	\$80,594	\$2,156,784

	Seven Months Ended July 31, 2018			
	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and benefits	\$763,702	\$114,160	\$10,164	\$888,026
Ministry expenses	405,386	12,538	-	417,924
Facilities	309,664	23,309	-	332,973
Office expenses	122,747	77,143	11,744	211,634
Postage and printing	24,676	1,580	72,449	98,705
Depreciation	34,560	6,099	-	40,659
Professional fees	-	18,512	-	18,512
Missions	50,024	-	-	50,024
Total	\$1,710,759	\$253,341	\$94,357	\$2,058,457

KEYSTONE CHURCH  
Notes to Financial Statements  
July 31, 2019 and 2018

8. OPERATING LEASE OBLIGATIONS:

The Church leases their facilities and certain office equipment with total monthly lease payments of approximately \$20,742 expiring from 2019 to 2021. Total lease expense for the periods ended July 31, 2019 and 2018 was \$164,694 and \$177,711 respectively. Future minimum lease payments are:

<u>Year Ending December 31</u>	<u>Facilities</u>	<u>Equipment</u>
2019	\$ 97,500	\$ 14,904
2020		\$ 14,904
2021		\$ 3,726
	<u>\$ 97,500</u>	<u>\$ 33,534</u>

9. DEFINED CONTRIBUTION PLAN:

The Church has a 403(b) defined contribution plan that was established in 2005. The Church board approves any employer contributions. Employer contributions made during the period ended July 31, 2019 and 2018 were \$4,867 and \$4,300 respectively.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through September 13, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

# KEYSTONE

KEYSTONE CHURCH

Financial Statements  
With Independent Auditors' Report

December 31, 2018 and 2017

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Keystone Church  
Keller, Texas

We have audited the accompanying financial statements of Keystone Church, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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.



Board of Directors  
Keystone Church  
Keller, Texas

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Keystone Church as of December 31, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

Keystone Church has adopted Financial Standards Accounting Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the December 31, 2018 and 2017 financial statements. Our opinion is not modified with respect to this matter.

*Capin Crouse LLP*

Grapevine, Texas  
May 2, 2019

# KEYSTONE CHURCH

## Statements of Financial Position

	December 31,	
	2018	2017
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 6,957,387	\$5,783,675
Prepaid expenses and other current assets	267,164	129,690
	<u>7,224,551</u>	<u>\$5,913,365</u>
Property and equipment—net	5,511,880	5,096,789
	<u>5,511,880</u>	<u>5,096,789</u>
Total Assets	<u>\$ 12,736,431</u>	<u>\$11,010,154</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 180,081	\$ 148,919
Accrued expenses and other current liabilities	28,146	24,300
Note payable (all current)	3,698,971	3,698,971
	<u>3,907,198</u>	<u>3,872,190</u>
Net assets:		
Net assets without donor restrictions:		
Undesignated	672,859	814,308
Net investment in property and equipment	966,309	995,620
	<u>1,639,168</u>	<u>1,809,928</u>
Net assets with donor restrictions	7,190,065	5,328,036
	<u>7,190,065</u>	<u>5,328,036</u>
	<u>8,829,233</u>	<u>7,137,964</u>
Total Liabilities and Net Assets	<u>\$ 12,736,431</u>	<u>\$ 11,010,154</u>

See notes to financial statements

# KEYSTONE CHURCH

## Statements of Activities

Year Ended December 31,

	2018			2017		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
	<b>SUPPORT AND REVENUE:</b>					
Contributions	\$ 3,204,944	\$ 1,928,568	\$ 5,133,512	\$ 3,518,263	\$ 1,718,145	\$ 5,236,408
Ministry activities income	313,416	-	313,416	278,313	-	278,313
Other income	1,364	-	1,364	17,902	-	17,902
<b>Total Support and Revenue</b>	<b>3,519,724</b>	<b>1,928,568</b>	<b>5,448,292</b>	<b>3,814,478</b>	<b>1,718,145</b>	<b>5,532,623</b>
<b>RECLASSIFICATIONS:</b>						
Purpose restrictions	66,539	(66,539)	-	123,693	(123,693)	-
<b>EXPENSES:</b>						
Program services:						
Church activities	3,191,548	-	3,191,548	2,718,947	-	2,718,947
Missions	46,034	-	46,034	50,672	-	50,672
	<b>3,237,582</b>	<b>-</b>	<b>3,237,582</b>	<b>2,769,619</b>	<b>-</b>	<b>2,769,619</b>
Supporting activities:						
General and administrative	423,870	-	423,870	538,410	-	538,410
Fund-raising	95,571	-	95,571	79,984	-	79,984
	<b>519,441</b>	<b>-</b>	<b>519,441</b>	<b>618,394</b>	<b>-</b>	<b>618,394</b>
<b>Total Expenses</b>	<b>3,757,023</b>	<b>-</b>	<b>3,757,023</b>	<b>3,388,013</b>	<b>-</b>	<b>3,388,013</b>
Change in Net Assets	(170,760)	1,862,029	1,691,269	550,158	1,594,452	2,144,610
Net Assets, Beginning of Year	1,809,928	5,328,036	7,137,964	1,259,770	3,733,584	4,993,354
Net Assets, End of Year	<u>\$ 1,639,168</u>	<u>\$ 7,190,065</u>	<u>\$ 8,829,233</u>	<u>\$ 1,809,928</u>	<u>\$ 5,328,036</u>	<u>\$ 7,137,964</u>

See notes to financial statements

# KEYSTONE CHURCH

## Statements of Cash Flows

	Year Ended December 31,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,691,269	\$ 2,144,610
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	71,209	54,730
Gain on sale of property	-	-
Cash contributions restricted for long-term purposes	(1,928,568)	(1,718,145)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(137,474)	(56,297)
Accounts payable	31,162	33,594
Accrued expenses and other current liabilities	3,846	2,737
Net Cash Provided (Used) by Operating Activities	(268,556)	461,229
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(486,300)	(438,693)
Net Cash Used by Investing Activities	(486,300)	(438,693)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash contributions restricted for long-term purposes	1,928,568	1,718,145
Net Cash Provided by Financing Activities	1,928,568	1,718,145
Net Change in Cash and Cash Equivalents	1,173,712	1,740,681
Cash and Cash Equivalents, Beginning of Year	5,783,675	4,042,994
Cash and Cash Equivalents, End of Year	\$ 6,957,387	\$ 5,783,675
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid for interest (\$195,378 and \$171,675 capitalized as of December 31, 2018 and 2017, respectively)	\$ 195,378	\$ 171,675

See notes to financial statements

# KEYSTONE CHURCH

## Notes to Financial Statements

December 31, 2018 and 2017

1. NATURE OF ORGANIZATION:

Keystone Church (the Church) is an incorporated church of approximately 1,400 attendees, located in Keller, Texas. Keystone Church is a church for everyone. The Church was founded in 2004 by Dr. Brandon and Susan Thomas in their home with a mission of leading others to experience a passionate life in Christ with the words, "Love God, Love Others, Love Life." Since their incorporation, the Church has been reaching people through creative worship and preaching, as well as other ministry outreaches. The Church's primary source of support and revenue is contributions from its attendees. A significant amount of the Church's programs and activities occur through Church volunteers. The value that these volunteers contribute do not qualify as contributed services for the Church, but the services provided to the Church are a vital part of the Church's operations.

The Church operates as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), and is not a private foundation under Section 509(a) of the Code.

2. SUMMARY OF ACCOUNTING POLICIES:

The financial statements of the Church have been prepared on the accrual basis of accounting. The Church uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

### RECLASSIFICATIONS

Certain items have been reclassified in the prior year statements to be consistent with the current year presentation.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of checking and money market accounts. At December 31, 2018 and 2017, the Church's cash balances exceeded federally insured limits by approximately \$6,303,000 and \$5,115,000, respectively. The Church does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

### PROPERTY AND EQUIPMENT—NET

Property and equipment are stated at cost, or if donated, at the estimated fair market value at the date of donation. Property donated with restrictions regarding its use and contributions of cash to acquire property are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from temporarily restricted net assets to unrestricted net assets at that time. Depreciation and amortization expense is recorded using the straight-line method over estimated useful lives of 5-30 years for property and equipment. Items with a cost or fair value exceeding \$500 are capitalized.

# KEYSTONE CHURCH

## Notes to Financial Statements

December 31, 2018 and 2017

### 2. SUMMARY OF ACCOUNTING POLICIES, continued:

#### NET ASSETS

The financial statements report amounts separately by class of net assets:

*Net assets without donor restrictions* are currently available for use at the discretion of the board, as well as resources invested in property and equipment-net.

*Net assets with donor restrictions* are those stipulated by donors for specific operating purposes or programs and capital campaigns. Reclassifications are made when the restrictions have been fulfilled.

#### SUPPORT, REVENUE, AND EXPENSES

Contributions are recognized as income when made, which may be when cash is received or unconditionally promised. The Church receives the majority of its support in the form of voluntary tithes and offerings. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Gifts of cash and other assets are reported as restricted support 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.

Expenses are recorded when incurred.

#### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting activities. The Church's program services consist of church program activities and support funding for mission activities.

#### ADVERTISING

The Church uses advertising to encourage members of the community to attend a service. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2018 and 2017, was \$72,117 and \$36,338, respectively.

#### RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-For-Profits Entities*. The Church adopted the provisions of this standard during the year ended December 31, 2018. In addition to the changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 3) and the functional allocation of expenses (Note 7).



# KEYSTONE CHURCH

## Notes to Financial Statements

December 31, 2018 and 2017

### 3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the Church's financial assets as of December 31, 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, board designated for specific purposes, and perpetual endowments and accumulated earnings net of appropriations within one year.

Financial Assets:		
Cash and cash equivalents		\$ 6,957,387
Other liquid assets (included in prepaid expenses and other assets)		<u>241,205</u>
Financial assets, at year-end		<u>7,198,592</u>
Less those unavailable for general expenditure within one year due to:		
Assets restricted by donors for capital projects		<u>(6,343,465)</u>
Total unavailable		<u>(6,343,465)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$ 855,127</u>

The Church has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Church reviews its cash needs on a daily basis and also reviews its budgeted cash flow for future needs and adjust accordingly to maintain adequate cash balance as needed.

### 4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

	December 31,	
	<u>2018</u>	<u>2017</u>
Land	\$ 4,307,880	\$ 4,112,502
Furniture and equipment	522,546	416,809
Computer equipment	148,594	92,909
Leasehold improvements	<u>435,990</u>	<u>425,618</u>
	5,415,010	5,047,838
Accumulated depreciation	<u>(749,730)</u>	<u>(678,520)</u>
	4,665,280	4,369,318
Construction in progress	<u>846,600</u>	<u>727,471</u>
	<u>\$ 5,511,880</u>	<u>\$ 5,096,789</u>

# KEYSTONE CHURCH

## Notes to Financial Statements

December 31, 2018 and 2017

4. PROPERTY AND EQUIPMENT–NET, continued:

Equity in property and equipment-net of related debt consists of:

	December 31,	
	2018	2017
Property and equipment-net	\$ 5,511,880	\$ 5,096,789
less related debt	<u>(3,698,971)</u>	<u>(3,698,971)</u>
	1,812,909	1,397,818
Less donor restricted equity in property and equipment	<u>(846,600)</u>	<u>(402,198)</u>
Without donor restricted equity in property and equipment-net	<u>\$ 966,309</u>	<u>\$ 995,620</u>

5. NOTE PAYABLE:

Note payable consist of:

	December 31,	
	2018	2017
	<u>\$ 3,698,971</u>	<u>\$ 3,698,971</u>

A note with a financial institution with original principal of \$3,700,000, secured by real property. Principal is due in one balloon payment at maturity. Payments include only interest until then. The note initially matured January 7, 2017, and bears interest at a nominal rate of 5.00%. In February 2017, the Church amended the loan agreement extending the due date with the same terms until July 7, 2017. The Church amended the loan agreement a second time in January 2018. The second amendment extended the due date of the loan through July 7, 2018. Other terms remained the same. A third amendment extended the due date to January 7, 2019 and increased the interest rate to 5.5%. In January 2019, this loan was paid off as described in Note 11.

Interest expense for the years ended December 31, 2018 and 2017, was \$0. Interest in the amounts of \$195,378 and \$187,601 were capitalized for the years ended December 31, 2018 and 2017, respectively.

# KEYSTONE CHURCH

## Notes to Financial Statements

December 31, 2018 and 2017

6. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are available for the following purposes:

	December 31, 2017	Contributions	Net assets released from restrictions	Transfers	December 31, 2018
<b>A Place to Call Home:</b>					
Equity in property	\$ 402,198	\$ -	\$ -	\$ 444,402	\$ 846,600
Campaign funds	3,063,109	-	(16,800)	(444,402)	2,601,907
	<u>3,465,307</u>	<u>-</u>	<u>(16,800)</u>	<u>-</u>	<u>3,448,507</u>
<b>Build This House:</b>					
Equity in property	-	-	-	-	-
Campaign funds	1,862,729	1,928,568	(49,739)	-	3,741,558
	<u>1,862,729</u>	<u>1,928,568</u>	<u>(49,739)</u>	<u>-</u>	<u>3,741,558</u>
	<u>\$ 5,328,036</u>	<u>\$ 1,928,568</u>	<u>\$ (66,539)</u>	<u>\$ -</u>	<u>\$ 7,190,065</u>
	December 31, 2016	Contributions	Net assets released from restrictions	Transfers	December 31, 2017
<b>A Place to Call Home:</b>					
Equity in property	\$ -	\$ -	\$ -	\$ 402,198	\$ 402,198
Campaign funds	3,426,473	64,484	(25,650)	(402,198)	3,063,109
	<u>3,426,473</u>	<u>64,484</u>	<u>(25,650)</u>	<u>-</u>	<u>3,465,307</u>
<b>Build This House:</b>					
Equity in property	-	-	-	-	-
Campaign funds	307,111	1,653,661	(98,043)	-	1,862,729
	<u>307,111</u>	<u>1,653,661</u>	<u>(98,043)</u>	<u>-</u>	<u>1,862,729</u>
	<u>\$ 3,733,584</u>	<u>\$ 1,718,145</u>	<u>\$ (123,693)</u>	<u>\$ -</u>	<u>\$ 5,328,036</u>

# KEYSTONE CHURCH

## Notes to Financial Statements

December 31, 2018 and 2017

### 7. NATURAL CLASSIFICATION OF EXPENSES:

The costs of providing various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, costs related to more than one function, such as payroll expenses, have been allocated among the program services and supporting activities benefited. These expenses require allocation on a reasonable basis that is consistently applied. Allocated expenses include salaries and benefits, depreciation, ministry expenses, and other expenses. Salaries and benefits are allocated based on average estimates of time and effort by employees. Depreciation, ministry, and other expenses are allocated based on estimates of costs utilized and square footage costs.

	Year Ended December 31, 2018			
	Program Services	General and Administrative	Fund-raising	Total
Salaries and benefits	\$ 1,274,247	\$ 157,412	\$ 14,746	\$ 1,446,405
Ministry expenses	939,200	22,525	61,688	1,023,413
Facilities	490,391	21,643	7	512,041
Office expenses	213,684	70,193	15,709	299,586
Postage and printing	23,948	2,222	2,222	28,392
Depreciation	62,664	8,545	-	71,209
Professional fees	187,414	64,086	-	251,500
Missions	46,034	-	-	46,034
Miscellaneous	-	77,244	1,199	78,443
Total	<u>\$ 3,237,582</u>	<u>\$ 423,870</u>	<u>\$ 95,571</u>	<u>\$ 3,757,023</u>

	Year Ended December 31, 2017			
	Program Services	General and Administrative	Fund-raising	Total
Salaries and benefits	\$ 1,281,875	\$ 159,797	\$ 14,630	\$ 1,456,302
Facilities	782,012	65,289	50,517	897,818
Ministry expenses	463,905	16,875	3	480,783
Professional fees	150,787	63,248	10,252	224,287
Postage and printing	33,129	3,157	3,157	39,443
Office expenses	-	54,730	-	54,730
Depreciation	-	172,335	-	172,335
Missions	50,672	-	-	50,672
Miscellaneous	7,239	2,979	1,425	11,643
Total	<u>\$ 2,769,619</u>	<u>\$ 538,410</u>	<u>\$ 79,984</u>	<u>\$ 3,388,013</u>

# KEYSTONE CHURCH

## Notes to Financial Statements

December 31, 2018 and 2017

### 8. OPERATING LEASE OBLIGATIONS:

The Church leases their facilities and certain office equipment with total monthly lease payments of approximately \$24,300 expiring from 2019 to 2021. Total lease expenses for the years ended December 31, 2018 and 2017, were \$305,397 and \$296,142, respectively. Future minimum lease payments are:

<u>Year Ending December 31,</u>	<u>Facilities</u>	<u>Equipment</u>
2019	\$ 117,000	\$ 16,128
2020	-	16,128
2021	-	2,688
	<u>\$ 117,000</u>	<u>\$ 34,944</u>

### 9. DEFINED CONTRIBUTION PLAN:

The Church has a 403(b) defined contribution plan that was established in 2005. The Church board approves any employer contributions. Employer contributions made during the years ended December 31, 2018 and 2017, were \$7,300 for each year.

### 10. RELATED PARTY TRANSACTIONS:

During the years ended December 31, 2018 and 2017, the Church gave a board approved donation of \$4,500 and \$3,000, respectively, to Passionate Life Ministries, which is a separate 501(c)3 ministry founded by the senior pastor and his spouse. The Church also paid \$18,025 and \$62,299 during the years ended December 31, 2018 and 2017, respectively, for program expenses of the ministry.

### 11. SUBSEQUENT EVENTS:

On January 4, 2019, the Church entered a loan agreement with a regional bank for \$14,500,000 to finance the construction of their new Keller campus. As a part of the agreement, the Church paid off the previous loan of \$3,698,971 from previous capital campaign funds. The loan is interest only for the first 24 months and then rolls into a variable interest rate loan with principal and interest loan payments due monthly through January, 2046.

Subsequent events have been evaluated through May 2, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

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# KEYSTONE

KEYSTONE CHURCH

Financial Statements  
With Independent Auditors' Report

December 31, 2017 and 2016

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Keystone Church  
Keller, Texas

We have audited the accompanying financial statements of Keystone Church, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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.

Board of Directors  
Keystone Church  
Keller, Texas

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Keystone Church as of December 31, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Grapevine, Texas  
April 30, 2018

# KEYSTONE CHURCH

## Statements of Financial Position

	December 31,	
	2017	2016
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 5,783,675	\$ 4,042,994
Prepaid expenses and other current assets	129,690	73,393
	<u>5,913,365</u>	<u>4,116,387</u>
Property and equipment—net	5,096,789	4,712,826
	<u>5,096,789</u>	<u>4,712,826</u>
Total Assets	<u>\$ 11,010,154</u>	<u>\$ 8,829,213</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 148,919	\$ 115,325
Accrued expenses and other current liabilities	24,300	21,563
Note payable (all current)	3,698,971	3,698,971
	<u>3,698,971</u>	<u>3,698,971</u>
	<u>3,872,190</u>	<u>3,835,859</u>
Net assets:		
Unrestricted net assets:		
Undesignated	814,308	245,915
Net investment in property and equipment	1,397,818	1,013,855
	<u>2,212,126</u>	<u>1,259,770</u>
Temporarily restricted	4,925,838	3,733,584
	<u>4,925,838</u>	<u>3,733,584</u>
	<u>7,137,964</u>	<u>4,993,354</u>
Total Liabilities and Net Assets	<u>\$ 11,010,154</u>	<u>\$ 8,829,213</u>

See notes to financial statements

# KEYSTONE CHURCH

## Statements of Activities

	Year Ended December 31,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 3,518,263	\$ 1,718,145	\$ 5,236,408	\$ 2,574,770	\$ 1,593,667	\$ 4,168,437
Ministry activities income	278,313	-	278,313	226,795	-	226,795
Other income	17,902	-	17,902	16,258	-	16,258
Total Support and Revenue	3,814,478	1,718,145	5,532,623	2,817,823	1,593,667	4,411,490
<b>RECLASSIFICATIONS:</b>						
Purpose restrictions	525,891	(525,891)	-	496,959	(496,959)	-
<b>EXPENSES:</b>						
Program services:						
Church activities	2,718,947	-	2,718,947	2,505,693	-	2,505,693
Missions	50,672	-	50,672	46,348	-	46,348
	2,769,619	-	2,769,619	2,552,041	-	2,552,041
Supporting activities:						
General and administrative	538,410	-	538,410	368,247	-	368,247
Fund-raising	79,984	-	79,984	133,782	-	133,782
	618,394	-	618,394	502,029	-	502,029
Total Expenses	3,388,013	-	3,388,013	3,054,070	-	3,054,070
Change in Net Assets	952,356	1,192,254	2,144,610	260,712	1,096,708	1,357,420
Net Assets, Beginning of Year	1,259,770	3,733,584	4,993,354	999,058	2,636,876	3,635,934
Net Assets, End of Year	\$ 2,212,126	\$ 4,925,838	\$ 7,137,964	\$ 1,259,770	\$ 3,733,584	\$ 4,993,354

See notes to financial statements

# KEYSTONE CHURCH

## Statements of Cash Flows

	Year Ended December 31,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 2,144,610	\$ 1,357,420
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	54,730	49,876
Gain on sale of property	-	(11,276)
Cash contributions restricted for long-term purposes	(1,718,145)	(1,593,667)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(56,297)	(38,550)
Accounts payable	33,594	19,323
Accrued expenses and other current liabilities	2,737	8,986
Net Cash Provided (Used) by Operating Activities	461,229	(207,888)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(438,693)	(342,680)
Proceeds from sale of property	-	81,775
Net Cash Used by Investing Activities	(438,693)	(260,905)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on note payable	-	(18,047)
Cash contributions restricted for long-term purposes	1,718,145	1,593,668
Net Cash Provided by Financing Activities	1,718,145	1,575,621
Net Change in Cash and Cash Equivalents	1,740,681	1,106,828
Cash and Cash Equivalents, Beginning of Year	4,042,994	2,936,166
Cash and Cash Equivalents, End of Year	\$ 5,783,675	\$ 4,042,994
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid for interest (\$171,675 and \$172,138 capitalized as of December 31, 2017 and 2016, respectively)	\$ 171,675	\$ 172,407
Property acquired through notes payable	\$ -	\$ 3,700,000

See notes to financial statements

# KEYSTONE CHURCH

## Notes to Financial Statements

December 31, 2017 and 2016

1. NATURE OF ORGANIZATION:

Keystone Church (the Church) is an incorporated church of approximately 1,400 attendees, located in Keller, Texas. Keystone Church is a church for everyone. The Church was founded in 2004 by Dr. Brandon and Susan Thomas in their home with a mission of leading others to experience a passionate life in Christ with the words, "Love God, Love Others, Love Life." Since their incorporation, the Church has been reaching people through creative worship and preaching, as well as other ministry outreaches. The Church's primary source of support and revenue is contributions from its attendees. A significant amount of the Church's programs and activities occur through Church volunteers. The value that these volunteers contribute do not qualify as contributed services for the Church, but the services provided to the Church are a vital part of the Church's operations.

The Church operates as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), and is not a private foundation under Section 509(a) of the Code.

2. SUMMARY OF ACCOUNTING POLICIES:

The financial statements of the Church have been prepared on the accrual basis of accounting. The Church uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. 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 checking and money market accounts. At December 31, 2017 and 2016, the Church's cash balances exceeded federally insured limits by \$5,210,823 and \$3,514,090, respectfully. The Church does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

### PROPERTY AND EQUIPMENT—NET

Property and equipment are stated at cost, or if donated, at the estimated fair market value at the date of donation. Property donated with restrictions regarding its use and contributions of cash to acquire property are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from temporarily restricted net assets to unrestricted net assets at that time. Depreciation and amortization expense is recorded using the straight-line method over estimated useful lives of 5-30 years for property and equipment. Items with a cost or fair value exceeding \$500 are capitalized.



# KEYSTONE CHURCH

## Notes to Financial Statements

December 31, 2017 and 2016

### 2. SUMMARY OF ACCOUNTING POLICIES, continued:

#### NET ASSETS

The financial statements report amounts separately by class of net assets:

*Unrestricted net assets* are currently available for use at the discretion of the board, as well as resources invested in property and equipment.

*Temporarily restricted net assets* are those stipulated by donors for specific operating purposes or programs and capital campaigns. Reclassifications are made when the restrictions have been fulfilled. Capital expenditures are released when expended.

#### SUPPORT, REVENUE, AND EXPENSES

Contributions are recognized as income when made, which may be when cash is received or unconditionally promised. The Church receives the majority of its support in the form of voluntary tithes and offerings. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Gifts of cash and other assets are reported as restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Expenses are recorded when incurred.

#### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting activities. The Church's program services consist of church program activities and support funding for mission activities.

#### ADVERTISING

The Church uses advertising to encourage members of the community to attend a service. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2017 and 2016, was \$36,338 and \$17,271, respectively.

# KEYSTONE CHURCH

## Notes to Financial Statements

December 31, 2017 and 2016

3. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

	December 31,	
	2017	2016
Land	\$ 3,707,590	\$ 3,707,590
Furniture and equipment	416,809	388,274
Computer equipment	92,909	84,946
Leasehold improvements	425,618	425,617
	<u>4,642,926</u>	<u>4,606,427</u>
Accumulated depreciation	(678,520)	(623,786)
	<u>3,964,406</u>	<u>3,982,641</u>
Construction in progress	1,132,383	730,185
	<u>\$ 5,096,789</u>	<u>\$ 4,712,826</u>

4. NOTE PAYABLE:

Note payable consist of:

	December 31,	
	2017	2016
A note with a financial institution with original principal of \$3,700,000, secured by real property. Principal is due in one balloon payment at maturity. Payments include only interest until then. The note initially matured January 7, 2017, and bears interest at a nominal rate of 5.00%. In February 2017, the Church amended the loan agreement extending the due date with the same terms until July 7, 2017. The Church amended the loan agreement a second time in January 2018. The second amendment extended the due date of the loan through July 7, 2018. Other terms remained the same.	\$ 3,698,971	\$ 3,698,971

Interest expense for the years ended December 31, 2017 and 2016, was \$0 and \$269, respectively. Interest in the amounts of \$171,675 and \$172,138 were capitalized for the years ended December 31, 2017 and 2016, respectively.

With amendment noted above, the Church was in compliance or had waivers for all financial and reporting covenants at December 31, 2017.

# KEYSTONE CHURCH

## Notes to Financial Statements

December 31, 2017 and 2016

### 5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes:

	A Place to Call Home Campaign	Build This House	Total
Beginning balance, December 31, 2016	\$ 3,426,473	\$ 307,111	\$ 3,733,584
Temporarily restricted contributions cash contributions	64,484	1,653,661	1,718,145
Net assets released from restrictions:			
General and administrative	(25,650)	-	(25,650)
Fundraising expenses	-	(98,043)	(98,043)
Capitalized expenses	(402,198)	-	(402,198)
	<u>(427,848)</u>	<u>(98,043)</u>	<u>(525,891)</u>
Ending balance, December 31, 2017	<u>\$ 3,063,109</u>	<u>\$ 1,862,729</u>	<u>\$ 4,925,838</u>
	A Place to Call Home Campaign	Build This House	Total
Beginning balance, December 31, 2015	\$ 2,636,876	\$ -	\$ 2,636,876
Temporarily restricted contributions cash contributions	1,180,107	413,560	1,593,667
Net assets released from restrictions:			
Missions expense	-	-	-
General and administrative	(2,844)	(776)	(3,620)
Fundraising expenses	(7,993)	(97,665)	(105,658)
Capitalized expenses	(379,673)	(8,008)	(387,681)
	<u>(390,510)</u>	<u>(106,449)</u>	<u>(496,959)</u>
Ending balance, December 31, 2016	<u>\$ 3,426,473</u>	<u>\$ 307,111</u>	<u>\$ 3,733,584</u>

# KEYSTONE CHURCH

## Notes to Financial Statements

December 31, 2017 and 2016

### 6. NATURAL CLASSIFICATION OF EXPENSES:

	Year Ended December 31, 2017			
	<u>Program Services</u>	<u>General and Administration</u>	<u>Fund-raising</u>	<u>Total</u>
Salaries and benefits	\$ 1,281,875	\$ 159,797	\$ 14,630	\$ 1,456,302
Ministry expenses	782,012	65,289	50,517	897,818
Facilities	463,905	16,875	3	480,783
Office expenses	150,787	63,248	10,252	224,287
Postage and printing	33,129	3,157	3,157	39,443
Depreciation	-	54,730	-	54,730
Professional fees	-	172,335	-	172,335
Missions	50,672	-	-	50,672
Miscellaneous	7,239	2,979	1,425	11,643
Total	<u>\$ 2,769,619</u>	<u>\$ 538,410</u>	<u>\$ 79,984</u>	<u>\$ 3,388,013</u>

	Year Ended December 31, 2016			
	<u>Program Services</u>	<u>General and Administration</u>	<u>Fund-raising</u>	<u>Total</u>
Salaries and benefits	\$ 1,125,071	\$ 139,790	\$ 12,905	\$ 1,277,766
Facilities	742,030	55,157	66,297	863,484
Ministry expenses	436,328	23,470	114	459,912
Professional fees	136,747	64,165	8,187	209,099
Postage and printing	15,371	2,673	26,893	44,937
Office expenses	49,876	-	-	49,876
Depreciation	-	78,805	-	78,805
Missions	46,348	-	-	46,348
Miscellaneous	270	4,187	19,386	23,843
Total	<u>\$ 2,552,041</u>	<u>\$ 368,247</u>	<u>\$ 133,782</u>	<u>\$ 3,054,070</u>

# KEYSTONE CHURCH

## Notes to Financial Statements

December 31, 2017 and 2016

### 7. OPERATING LEASE OBLIGATIONS:

The Church leases their facilities and certain office equipment with total monthly lease payments of approximately \$24,300 expiring from 2018 to 2021. Total lease expenses for the years ended December 31, 2017 and 2016, were \$296,142 and \$288,370, respectively. Future minimum lease payments are:

<u>Year Ending December 31,</u>	<u>Facilities</u>	<u>Equipment</u>
2018	\$ 234,000	\$ 16,128
2019	-	16,128
2020	-	16,128
2021	-	2,688
	<u>\$ 234,000</u>	<u>\$ 51,072</u>

### 8. LOAN COMMITMENT:

In the fall of 2017, the Church signed a loan commitment for \$12,840,000 to finance the construction of their new Keller campus. The loan anticipates closing in 2018 and ground breaking before the end of the year. The loan will be interest only for the first 24 months and then roll into a variable interest rate loan with principal and interest loan payments due for the next 23 years.

### 9. DEFINED CONTRIBUTION PLAN:

The Church has a 403(b) defined contribution plan that was established in 2005. The Church board approves any employer contributions. Employer contributions made during the years ended December 31, 2017 and 2016, were \$7,300 for each year.

### 10. RELATED PARTY TRANSACTIONS:

During the years ended December 31, 2017 and 2016, the Church gave a board approved donation of \$3,000 and \$54,963, respectively, to Passionate Life Ministries, which is a separate 501(c)3 ministry founded by the senior pastor and his spouse.

### 11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through April 30, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

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