

Community Christian Church and Affiliates

**Independent Auditor's Report and Consolidated
Financial Statements**

September 30, 2014

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Contents

Independent Auditor's Report	1
Consolidated Financial Statements	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets.....	4
Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6

Independent Auditor's Report

Leadership Commission
Community Christian Church

We have audited the accompanying consolidated financial statements of Community Christian Church and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2014, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Christian Church and Affiliates as of September 30, 2014, and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

BKD, LLP

Oakbrook Terrace, Illinois
February 18, 2015

COMMUNITY CHRISTIAN CHURCH AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2014

ASSETS

Current assets:		
Cash and cash equivalents		\$ 1,585,376
Prepaid expenses		<u>85,402</u>
Total current assets		1,670,778
Property and equipment		<u>21,435,126</u>
Total assets		<u>\$ 23,105,904</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Current portion of long-term debt		\$ 9,360,708
Accounts payable and accrued expenses		542,930
Deferred revenue		<u>61,304</u>
Total current liabilities		9,964,942
Long-term debt		<u>832,290</u>
Total liabilities		<u>10,797,232</u>
Net assets:		
Unrestricted:		
Designated		394,284
Undesignated		<u>11,336,603</u>
Temporarily restricted		<u>11,730,887</u>
Total net assets		<u>12,308,672</u>
Total liabilities and net assets		<u>\$ 23,105,904</u>

See notes to consolidated financial statements.

COMMUNITY CHRISTIAN CHURCH AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended September 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Offerings and fees	\$ 8,108,288	\$ 1,874,600	\$ 9,982,888
Net assets released from restrictions	1,675,442	(1,675,442)	-
Total revenue and support	9,783,730	199,158	9,982,888
Expenses:			
Program services:			
Salaries and benefits	3,543,311	-	3,543,311
Ministry programs	2,120,851	-	2,120,851
Facilities	1,067,113	-	1,067,113
Repairs and maintenance	323,278	-	323,278
New initiatives	282,563	-	282,563
Depreciation and amortization	707,673	-	707,673
Miscellaneous	43,713	-	43,713
Total program services	8,088,502	-	8,088,502
Supporting services:			
Administration	730,720	-	730,720
Total expenses	8,819,222	-	8,819,222
Change in net assets	964,508	199,158	1,163,666
Net assets, beginning of year	10,766,379	378,627	11,145,006
Net assets, end of year	\$ 11,730,887	\$ 577,785	\$ 12,308,672

See notes to consolidated financial statements.

COMMUNITY CHRISTIAN CHURCH AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended September 30, 2014

Cash flows from operating activities:	
Change in net assets	\$ 1,163,666
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	707,673
Decrease in pledge receivable	1,000,000
Increase in prepaid expenses	(35,950)
Decrease in accounts payable and accrued expenses	(767,973)
Increase in deferred revenue	<u>40,301</u>
Net cash provided by operating activities	2,107,717
Cash used in investing activities:	
Purchase of property and equipment	(2,223,054)
Cash used in financing activities:	
Repayments of long-term debt	<u>(278,316)</u>
Net change in cash and cash equivalents	(393,653)
Cash and cash equivalents, beginning of year	<u>1,979,029</u>
Cash and cash equivalents, end of year	<u>\$ 1,585,376</u>
<u>Supplemental disclosure of cash flow information:</u>	
Interest paid	<u>\$ 305,493</u>
<u>Noncash financing activities:</u>	
Proceeds from debt used for capital purchases	<u>\$ 4,908,681</u>
Capital purchases in accounts payable	<u>\$ 367,887</u>

See notes to consolidated financial statements.

COMMUNITY CHRISTIAN CHURCH AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Activities

Community Christian Church (“Community”) was established in 1989. Community’s primary mission is to “help people find their way back to God” and is realized by Reaching people who are far from God, Restoring communities to the dream of God, and Reproducing that mission in others.

Community is a multi-site church and services are currently held at the following campuses:

- In Naperville at two locations (Ogden and Rickert facility and Wentz Hall at North Central College)
- In Romeoville in the Highpoint Community
- In Plainfield at two locations (Carillon Clubhouse and Plainfield Small Business Park)
- In Montgomery at 131 Montgomery Road
- In Shorewood at Trinity Christian School
- In Yorkville in the Yorkville Home Design Center
- In East Aurora at the Lighthouse on LaSalle Street
- In Lemont at 102 Stephen Street
- In Chicago in three locations (Gateway to Learning in Lincoln Square, Swift Specialty School in Edgewater, and Germania Place in Lincoln Park)

Oversight of the direction of Community is provided by a Leadership Commission selected from among the lay leaders which function as the elders of Community. Financial support for ministry comes solely from donor contributions and fees for services. Community is an independent, nondenominational church.

2. Summary of Significant Accounting Policies

Consolidated Financial Statements – The accompanying consolidated financial statements include the accounts of Community and its affiliated not-for-profit organizations, Community 4:12 and Newthing, NFP. Inter-organization transactions and balances have been eliminated in consolidation.

Basis of Accounting – The financial statements of Community have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation – In accordance with generally accepted accounting principles (GAAP) for not-for-profit organizations, Community is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Community had no permanently restricted net assets at September 30, 2014.

Estimates – Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the statement of cash flows, Community considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

COMMUNITY CHRISTIAN CHURCH AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (Cont.)

Designation of Unrestricted Net Assets – It is the policy of the Leadership Commission to review its plans for future property improvements and acquisitions from time to time and to designate appropriate sums of unrestricted net assets to ensure adequate financing of such improvements and acquisitions.

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

Donated Property and Equipment – Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, Community reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Community reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services – No amounts have been reflected in the consolidated financial statements for donated services since they don't meet the criteria for recognition under GAAP. Community generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist Community with specific needs and various programs. During 2014, there were approximately 2,600 volunteers spending an estimated 270,400 hours in ministry including children's programming, youth work, music, drama, teaching, organization, food preparation and service, and other related tasks.

Restricted and Unrestricted Revenue – Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Revenue Recognition and Deferred Revenue – Miscellaneous fee income is recognized as revenue in the period in which the activity or event occurs. Deferred revenue consists of amounts received in the current period which relate to future periods.

Promises to Give – Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment – All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.

COMMUNITY CHRISTIAN CHURCH AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (Cont.)

Income Taxes – Community is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code). Contributions by the public are tax deductible within the limitations prescribed by the Code. In addition, income from a regularly carried-on trade or business that does not further the organization's exempt purposes, as defined, is subject to federal and state income taxes. As a church, Community is also exempt from filing annual reports on Form 990 and is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for the years before the tax year ended September 30, 2011.

3. Property and Equipment

Property and equipment consist of the following:

	Amount	Depreciable Lives
Land	\$ 1,890,000	
Buildings and improvements	23,007,234	15-40 years
Furniture and equipment	2,963,632	3-7 years
	27,860,866	
Less: accumulated depreciation and amortization	6,425,740	
	\$ 21,435,126	

4. Restricted Net Assets

Temporarily restricted net assets are summarized as follows:

Benevolence	\$ 3,505
Celebration Generosity	24,087
Chicago Expansion	125,449
Community 4:12	132,802
Divine Back Nine	3,748
Expansion	14,803
Epic Theatre	4,493
Food Fight	1,243
New Thing - Residents	33,868
New Thing - Networks	154,387
New Thing	79,400
	\$ 577,785

COMMUNITY CHRISTIAN CHURCH AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Long-Term Debt

Community's obligations under its long-term debt consist of the following:

Construction loan in the amount of \$5,100,000, with interest payable monthly at a rate of 3.25%; due May 1, 2015; collateralized by a Security Agreement on the Naperville Yellow Box campus.	\$ 4,908,681
4.50% note payable, due in monthly installments of \$37,804, including interest, final payment due August 11, 2015; collateralized by a Mortgage, an Assignment of Rents, and a Commercial Security Agreement on all assets.	4,426,405
4.39% note payable, due in monthly installments of \$5,274, including interest, final payment due July 28, 2018; collateralized by a Mortgage and Assignment of Rents on Naperville and Yorkville properties.	<u>857,912</u>
	10,192,998
Less: current portion	<u>9,360,708</u>
	<u>\$ 832,290</u>

The future scheduled maturities of long-term debt are as follows:

Year Ending September 30	Amount
2015	\$ 9,360,708
2016	26,683
2017	27,998
2018	<u>777,609</u>
	<u>\$ 10,192,998</u>

Interest costs incurred during the current year totaled \$305,493 and are reported as facilities expense in the consolidated statement of activities and changes in net assets. Under the debt agreements, Community is required to maintain a minimum cash balance and certain debt service and net worth ratios.

6. Operating Leases

Community has several noncancelable operating leases for certain facilities and equipment that expire at various dates through 2019. Rental expenses for those leases totaled \$724,052 for the year ended September 30, 2014.

COMMUNITY CHRISTIAN CHURCH AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Operating Leases (Cont.)

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of September 30, 2014 are as follows:

Year Ending September 30	Amount
2015	\$ 584,867
2016	396,040
2017	161,702
2018	145,918
2019	35,558
	\$ 1,324,085

Community leases parking space to a tenant under a noncancelable operating lease with a term of one year. Annual lease payments received under this lease totaled \$6,000. This lease is renewable.

7. Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

Community maintains the majority of its cash balances in one financial institution. These balances sometimes exceed the Federal Deposit Insurance Corporation insurance limits. As of September 30, 2014, the total uninsured balance was \$1,241,719.

8. Commitments

Expansion of the Naperville Yellow Box location was substantially completed during the year with the Grand Opening celebration in September 2014. The remaining amount to be paid on the contract is \$151,817 at September 30, 2014.

9. Payments to Recipient Organizations

During the year ended September 30, 2014, the Church made the following cash payments to other nonprofit organizations which are shown as ministry programs and New Initiatives expenses on the consolidated statement of activities and changes in net assets:

Philippine Frontline Ministries	\$ 163,246
Compassion International	96,461
Family Focus	50,500
Impact Lives	21,018
World Relief	20,000
Emmanuel House	3,900
	\$ 355,125

COMMUNITY CHRISTIAN CHURCH AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Subsequent Events

On November 18, 2013, Community entered into an agreement to purchase a parcel of land located in Plainfield, Illinois, at a total cost of \$2,100,000. According to the agreement, Community issued four non-refundable deposits of \$25,000 that were to be credited towards closing. The first two deposits were put into an escrow account and were later released to the seller. The final two deposits were paid directly to the seller. The closing was originally scheduled for September 2014 and was then extended to December 2014. On December 22, 2014, Community made the decision, based on the growing cost of materials and construction, to cancel the agreement and explore other growth strategies. The \$100,000 paid to the seller as a result of this transaction is included as New Initiatives expense on the consolidated statement of activities and changes in net assets.

Management has evaluated subsequent events through February 18, 2015, the date the financial statements were available to be issued.