

Community Christian Church and Affiliates

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

September 30, 2015

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Independent Auditor's Report

Leadership Commission
Community Christian Church
Naperville, Illinois

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, 2015, 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 Consolidated 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, 2015, 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
December 18, 2015

Community Christian Church and Affiliates
Consolidated Statement of Financial Position
September 30, 2015

Assets

Current Assets

Cash and cash equivalents	\$ 2,249,813
Accounts receivable	9,000
Pledge receivable	400,000
Prepaid expenses	<u>74,008</u>

Total current assets 2,732,821

Property and Equipment

20,765,630

Total assets \$ 23,498,451

Liabilities and Net Assets

Current Liabilities

Current portion of long-term debt	\$ 334,311
Accounts payable and accrued expenses	116,469
Deferred revenue	<u>64,433</u>

Total current liabilities 515,213

Long-Term Debt

9,759,614

Total liabilities 10,274,827

Net Assets

Unrestricted	
Designated for improvements and acquisitions	1,317,305
Undesignated	<u>10,469,230</u>

11,786,535

Temporarily restricted 1,437,089

Total net assets 13,223,624

Total liabilities and net assets \$ 23,498,451

Community Christian Church and Affiliates
Consolidated Statement of Activities and Changes in Net Assets
Year Ended September 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Offerings and fees	\$ 7,902,168	\$ 2,176,205	\$ 10,078,373
Miscellaneous	36,460	-	36,460
Net assets released from restrictions	1,316,901	(1,316,901)	-
	<u>9,255,529</u>	<u>859,304</u>	<u>10,114,833</u>
Expenses			
Program services			
Salaries and benefits	3,754,688	-	3,754,688
Ministry programs	1,704,637	-	1,704,637
Facilities	1,109,958	-	1,109,958
Repairs and maintenance	341,218	-	341,218
New initiatives	279,923	-	279,923
Depreciation and amortization	996,278	-	996,278
Miscellaneous	64,277	-	64,277
	<u>8,250,979</u>	<u>-</u>	<u>8,250,979</u>
Supporting services			
Administration	948,902	-	948,902
	<u>9,199,881</u>	<u>-</u>	<u>9,199,881</u>
Change in Net Assets	55,648	859,304	914,952
Net Assets, Beginning of Year	<u>11,730,887</u>	<u>577,785</u>	<u>12,308,672</u>
Net Assets, End of Year	<u>\$ 11,786,535</u>	<u>\$ 1,437,089</u>	<u>\$ 13,223,624</u>

Community Christian Church and Affiliates
Consolidated Statement of Cash Flows
Year Ended September 30, 2015

Operating Activities	
Change in net assets	\$ 914,952
Items not requiring cash	
Depreciation and amortization	996,278
Increase in receivables	(409,000)
Decrease in prepaid expenses	11,394
Decrease in accounts payable and accrued expenses	(426,461)
Increase in deferred revenue	<u>3,129</u>
Net cash provided by operating activities	1,090,292
Investing Activities	
Purchase of property and equipment	(135,463)
Financing Activities	
Repayments of long-term debt	<u>(290,392)</u>
Net Change in Cash and Cash Equivalents	664,437
Cash and Cash Equivalents, Beginning of Year	<u>1,585,376</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,249,813</u></u>
Supplemental Cash Flow Information	
Interest paid	\$ 416,560
Noncash Financing Activities	
Issuance of debt used for capital purchases	\$ 191,319
Issuance of long-term debt for refinancing purposes	\$ 9,334,325

Community Christian Church and Affiliates

Notes to Consolidated Financial Statements

September 30, 2015

Note 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 two locations (Gateway to Learning in Lincoln Square 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.

Note 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.

Community Christian Church and Affiliates

Notes to Consolidated Financial Statements

September 30, 2015

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, 2015.

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.

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.

Donated Assets

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

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.

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.

Community Christian Church and Affiliates
Notes to Consolidated Financial Statements
September 30, 2015

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets. (Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.)

Donations of property and equipment are recorded as support 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 support. 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 each year in the amount of the donated property and equipment's depreciation expense.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Donated Services

No amounts have been reflected in the consolidated financial statements for donated services since the services 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 2015, there were approximately 2,650 volunteers spending an estimated 275,000 hours in ministry including children's programming, youth work, music, drama, teaching, organization, food preparation and service and other related tasks.

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

Community Christian Church and Affiliates
Notes to Consolidated Financial Statements
September 30, 2015

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, 2012.

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.

Note 3: Property and Equipment

Property and equipment consist of the following:

	<u>Amount</u>	<u>Depreciable Lives</u>
Land	\$ 1,890,000	
Construction in progress	195,000	
Buildings and improvements	23,091,014	15 - 40 years
Furniture and equipment	<u>3,011,634</u>	3 - 7 years
	28,187,648	
Less accumulated depreciation and amortization	<u>7,422,018</u>	
	<u><u>\$ 20,765,630</u></u>	

Community Christian Church and Affiliates
Notes to Consolidated Financial Statements
September 30, 2015

Note 4: Restricted Net Assets

Temporarily restricted net assets are summarized as follows:

Benevolence	\$ 11,093
Celebration Generosity	121,261
Chicago Expansion	95,168
Community 4:12	142,313
Divine Back Nine	2,644
Expansion	14,803
Epic Theatre	4,493
Food Fight	1,722
NewThing - Residents	45,604
NewThing - Networks	180,658
NewThing	<u>817,330</u>
	<u><u>\$ 1,437,089</u></u>

Note 5: Long-Term Debt

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

4.25% note payable, due in monthly installments of \$57,934, including interest; final payment due June 11, 2020; collateralized by a mortgage, assignment of rents on Naperville and Yorkville properties, a Commercial Security Agreement on all assets and a security interest in all deposit accounts.	\$ 9,261,635
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 and a security interest in all deposit accounts.	<u>832,290</u>
	10,093,925
Less current portion	<u>334,311</u>
	<u><u>\$ 9,759,614</u></u>

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

Year Ending September 30	Amount
2016	\$ 334,311
2017	348,958
2018	1,112,479
2019	349,383
2020	7,948,794
	\$ 10,093,925

Interest costs incurred during the current year totaled \$416,560 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.

Note 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 \$765,584 for the year ended September 30, 2015.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of September 30, 2015, are as follows:

Year Ending September 30	Amount
2016	\$ 509,298
2017	162,815
2018	146,753
2019	35,558
	\$ 854,424

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 \$9,000. This lease is renewable.

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Note 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, 2015, the total uninsured balance was approximately \$1,969,000.

Note 8: Employee Benefit Plan

Community has a 401(k) Plan covering all employees over 21 years of age who have gained and maintained eligibility by completing at least 1,000 hours of service during the plan year. Community matches employee contributions up to 5% of their annual salary. Employer contributions to the Plan were \$102,595 for the year ended September 30, 2015.

Note 9: Payments to Recipient Organizations

During the year ended September 30, 2015, 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	\$ 154,344
Compassion International	10,000
Family Focus	25,000
World Relief	10,000
Impact Lives	<u>2,920</u>
	<u><u>\$ 202,264</u></u>

Note 10: Subsequent Events

On November 30, 2015, Community purchased a parcel of land in Plainfield for the expansion and consolidation of the Plainfield and Shorewood campuses. This property was purchased under the name of Community at Plainfield LLC, a special purpose entity, for liability reasons. The church and any other future tenants will lease space from the LLC. In the next year, the existing structure will be renovated with planned opening in late summer 2016. The purchase price was approximately \$6,400,000, which was financed by a loan secured by the said property in the amount of \$5,075,000, a contribution from the seller and cash on hand.

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Management has evaluated subsequent events through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.