

# COMMUNITY CHRISTIAN CHURCH AND AFFILIATES

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## CONSOLIDATED ANNUAL FINANCIAL REPORT



COMMUNITY  
CHRISTIAN CHURCH

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2018

# COMMUNITY CHRISTIAN CHURCH AND AFFILIATES

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## **FINANCIAL SECTION**

## **INDEPENDENT AUDITORS' REPORT**



## **INDEPENDENT AUDITORS' REPORT**

December 19, 2019

Members of the Leadership Commission  
Community Christian Church and Affiliates  
Naperville, Illinois

We have audited the accompanying consolidated financial statements of the Community Christian Church and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2018, and the related consolidated statements of activities and cash flows for the year 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 opinions 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 of 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 Community Christian Church and Affiliates' 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 Community Christian Church and Affiliates' 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 opinions.

### **Opinions**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Community Christian Church and Affiliates, as of September 30, 2018, and the changes in its net assets and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Other Information*

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise the Community Christian Church and Affiliates' (a nonprofit organization) consolidated financial statements.

*Lauterbach & Amen, LLP*

LAUTERBACH & AMEN, LLP

## **CONSOLIDATED FINANCIAL STATEMENTS**

# COMMUNITY CHRISTIAN CHURCH AND AFFILIATES

## Consolidated Statements of Financial Position September 30, 2018

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<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 2,160,677
Certificates of Deposit	267,386
Accounts Receivable	710,000
Pledge Receivables	500,000
Prepaid Expenses	58,134
Total Current Assets	<u>3,696,197</u>
Noncurrent Assets	
Capital Assets	
Nondepreciable	2,475,000
Depreciable	38,054,490
Accumulated Depreciation	<u>(9,996,811)</u>
Total Noncurrent Assets	<u>30,532,679</u>
Total Assets	<u>34,228,876</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	98,424
Current Portion of Long-Term Debt	<u>3,275,144</u>
Total Current Liabilities	<u>3,373,568</u>
Noncurrent Liabilities	
Notes Payable - Net	<u>17,943,230</u>
Total Liabilities	<u>21,316,798</u>
<b>NET ASSETS</b>	
With Donor Restrictions	-
Without Donor Restrictions	<u>12,912,078</u>
Total Net Assets	<u>12,912,078</u>
Total Liabilities and Net Assets	<u>34,228,876</u>

The notes to the financial statements are an integral part of this statement.

**COMMUNITY CHRISTIAN CHURCH AND AFFILIATES**

**Consolidated Statements of Activities  
For the Fiscal Year Ended September 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Totals
<b>Support and Revenue</b>			
Offerings and Fees	\$ 13,974,068	-	13,974,068
Miscellaneous	1,170,090	-	1,170,090
Net Assets Released from Restrictions	-	-	-
<b>Total Support and Revenue</b>	<b>15,144,158</b>	<b>-</b>	<b>15,144,158</b>
<b>Expenses</b>			
<b>Program Services</b>			
Salaries and Benefits	5,351,355	-	5,351,355
Ministry Programs	4,156,407	-	4,156,407
Facilities	1,795,948	-	1,795,948
Repairs and Maintenance	58,528	-	58,528
New Initiatives	98,075	-	98,075
Depreciation	1,259,329	-	1,259,329
Miscellaneous	30,017	-	30,017
<b>Total Program Services</b>	<b>12,749,659</b>	<b>-</b>	<b>12,749,659</b>
<b>Support Services</b>			
<b>Management and General</b>			
Oversight Services	452,619	-	452,619
Financial and Human Resources	74,979	-	74,979
Information Technology	65,668	-	65,668
Liability Insurance	52,912	-	52,912
Legal	30,374	-	30,374
Loss on Disposal of Capital Asset	1,097,806	-	1,097,806
Miscellaneous Expenses	34,578	-	34,578
<b>Total Management and General</b>	<b>1,808,936</b>	<b>-</b>	<b>1,808,936</b>
<b>Total Expenses</b>	<b>14,558,595</b>	<b>-</b>	<b>14,558,595</b>
Change in Net Assets	585,563	-	585,563
Net Assets - Beginning as Restated	12,326,515	-	12,326,515
Net Assets - Ending	12,912,078	-	12,912,078

The notes to the financial statements are an integral part of this statement.

## COMMUNITY CHRISTIAN CHURCH AND AFFILIATES

### Consolidated Statements of Cash Flows For the Fiscal Year Ended September 30, 2018

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Cash Flows from Operating Activities	
Change in Net Assets	\$ 585,563
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used In) Operating Activities:	
Depreciation Expense	1,259,329
(Increase) Decrease in Current Assets	217,491
Increase (Decrease) in Current Liabilities	(159,242)
	<u>1,903,141</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(706,984)
Disposal of Capital Assets	572,806
Payment of Construction Loans	(7,672,136)
Payment of Notes Payable - Net	(15,434,391)
Issuance of Notes Payable - Net	22,199,824
	<u>(1,040,881)</u>
Cash Flows from Investing Activities	
Purchase of Certificates of Deposit	<u>(8,775)</u>
Net Change in Cash and Cash Equivalents	853,485
Cash and Cash Equivalents	
Beginning	<u>1,307,192</u>
Ending	<u><u>2,160,677</u></u>

The notes to the financial statements are an integral part of this statement.

## **COMMUNITY CHRISTIAN CHURCH AND AFFILIATES**

### **Notes to the Consolidated Financial Statements September 30, 2018**

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#### **NOTE 1 – NATURE OF ORGANIZATION**

Community Christian Church and Affiliates (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 locations:

- In Naperville at one location (Yellow Box facility at Ogden and Rickert).
- In Plainfield at two locations (Commons facility at Riverwalk Ct. and Carillon Clubhouse).
- In Montgomery at 131 Montgomery Road.
- In Yorkville in the Yorkville Home Design Center.
- In Aurora at 78 S 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, its affiliated not-for-profit organizations: Community 4:12, Cars of Hope, NewThing, NFP, Community Sportsplex LLC, and Community at Plainfield, LLC. Inter-organization transactions and balances have been eliminated in consolidation.

##### **Basis of Accounting**

The consolidated financial statements are prepared using the accrual basis of accounting in which revenue is recognized when earned and expenses are recognized when incurred.

# COMMUNITY CHRISTIAN CHURCH AND AFFILIATES

## Notes to the Consolidated Financial Statements September 30, 2018

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### Net Assets

Community's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Net assets of Community and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Community's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Community or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Consolidated Statement of Activities.

At the end of the fiscal year, all of the net assets Community has are considered net asset without donor restrictions.

#### Cash and Investments

For the purpose of the Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows, Community's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of purchase. Community did not have any investments at the end of the fiscal year.

#### Capital Assets

Capital assets purchased or acquired with an original cost of \$2,500 or more, are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Buildings and Improvements	15 - 40 Years
Leasehold Improvements	Lease Term
Furniture and Equipment	3 - 7 Years

## COMMUNITY CHRISTIAN CHURCH AND AFFILIATES

### Notes to the Consolidated Financial Statements September 30, 2018

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### Contributed Services

Contributed services are reported as contribution revenue and as assets or expenses only if the services create or enhance a non-financial asset (for example, property and equipment) or:

- Would typically need to be purchased by Community if the services had not been provided by contribution
- Require specialized skills
- Are provided by individuals with those skills

##### Contributions

Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions are satisfied or expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions due in the next year are reflected as current promises to give and are recorded at their net realized value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts.

##### Use of Estimates

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

## COMMUNITY CHRISTIAN CHURCH AND AFFILIATES

### Notes to the Consolidated Financial Statements September 30, 2018

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### Designation of Unrestricted Net Assets

It is the policy of the Leadership Commission to review its plan 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.

##### Income Taxes

Community is exempt from income tax under IRC section 501(c)(3), and similarly, is exempt from State of Illinois taxes under the Illinois Tax Act Section 205(a), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Community has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Community has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. There was no unrelated business income for the year ended September 30, 2018.

Community's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally, for three years after they were filed. Annual filings with the State of Illinois are, similarly, subject to examination.

#### NOTE 3 – CASH AND INVESTMENTS

At year-end the carrying amount of Community's cash deposits totaled \$2,428,063 and the bank balances totaled \$2,616,250. At year-end \$1,235,229 of the bank balance of the deposits was not covered by federal depository or equivalent insurance.

#### NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of \$500,000 due within one year. Community provides for an allowance of doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. No allowance is deemed necessary as of September 30, 2018, and the impact of discounting of these future receivables was deemed to be immaterial to the overall consolidated financial statements.

## COMMUNITY CHRISTIAN CHURCH AND AFFILIATES

### Notes to the Consolidated Financial Statements September 30, 2018

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#### NOTE 5 – AGREEMENT WITH LOCAL RELIGIOUS ORGANIZATIONS

On August 23, 2018, Community transferred ownership of another building to a local religious organization for an agreed upon sum of \$2,700,000. That organization transferred \$1,000,000 for this building and Community also entered into an agreement with that organization for the remaining \$1,700,000. The local religious organization agreed to pay Community an annual fee of \$170,000 for 10 years. This fee is split between Community, which retains 40%, and an additional outside organization, which is sent 60%. Community has recorded a receivable for the amount they anticipate to receive through the end of the agreement. A capital asset was not recorded by Community; however, if the local religious organization does not meet the agreement criteria, then Community receives ownership of the building.

#### NOTE 6 – AVAILABILITY AND LIQUIDITY

The following represents Community's financial assets at September 30, 2018:

Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 2,160,677
Certificates of Deposit	267,386
Accounts Receivable	710,000
Pledge Receivables	500,000
Total Financial Assets	<u>3,638,063</u>
Less Amounts not Available to be used within one year:	
Net Assets with Donor Restrictions	<u>-</u>
Financial Assets Available to Meet General Expenditures over the Next Twelve Months	<u><u>3,638,063</u></u>

Community's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

## COMMUNITY CHRISTIAN CHURCH AND AFFILIATES

### Notes to the Consolidated Financial Statements September 30, 2018

#### NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Nondepreciable Capital Assets</b>				
Land	\$ 3,015,000	-	540,000	2,475,000
Construction in Progress	37,000	-	37,000	-
	<u>3,052,000</u>	<u>-</u>	<u>577,000</u>	<u>2,475,000</u>
<b>Depreciable Capital Assets</b>				
Buildings and Improvements	33,548,883	453,399	1,005,995	32,996,287
Leasehold Improvements	604,942	-	-	604,942
Furniture and Equipment	4,162,676	290,585	-	4,453,261
	<u>38,316,501</u>	<u>743,984</u>	<u>1,005,995</u>	<u>38,054,490</u>
<b>Less Accumulated Depreciation</b>				
Buildings and Improvements	6,914,800	1,019,582	973,189	6,961,193
Leasehold Improvements	-	-	-	-
Furniture and Equipment	2,795,871	239,747	-	3,035,618
	<u>9,710,671</u>	<u>1,259,329</u>	<u>973,189</u>	<u>9,996,811</u>
Total Net Depreciable Capital Assets	<u>28,605,830</u>	<u>(515,345)</u>	<u>32,806</u>	<u>28,057,679</u>
Total Net Capital Assets	<u>31,657,830</u>	<u>(515,345)</u>	<u>609,806</u>	<u>30,532,679</u>

#### NOTE 8 – LONG-TERM DEBT

##### Construction to Term Loan

Community entered into construction to term loan to provide funds for acquisition of capital assets. Construction to term loan currently outstanding are as follows:

Issue	Beginning Balances	Issuances	Retirements	Ending Balances
Construction to Term Loan, due in annual installments once construction is completed plus 6.95% interest.	\$ 7,672,136	-	7,672,136 *	-

\* Refinanced

## COMMUNITY CHRISTIAN CHURCH AND AFFILIATES

### Notes to the Consolidated Financial Statements September 30, 2018

#### NOTE 8 – LONG-TERM DEBT – Continued

##### Notes Payable

Community enters into notes payable to provide funds for acquisition of capital assets. Notes payable have been issued for Community. Notes payable are direct obligations and pledge the full faith and credit of Community. Notes payable currently outstanding are as follows:

Issue	Beginning Balances	Issuances	Retirements	Ending Balances
Naperville Note Payable due in annual installments of \$57,934 including interest of 4.25% through June 11, 2020.	\$ 8,645,351	-	8,366,299 * 279,052	-
Yorkville Note Payable due in annual installments of \$5,274 including interest of 4.39% through July 28, 2018.	777,609	-	755,361 * 22,248	-
Plainfield Note Payable due in annual installments of \$34,752 including interest of 6.95% through December 1, 2020.	5,152,639	-	5,122,771 * 29,868	-
Naperville and Yorkville Note Payable due in annual installments of \$150,825 including interest of 4.95% through August 1, 2024.	-	9,378,673	112,138	9,266,535
Plainfield and Construction Note Payable due in annual installments of \$205,685 including interest of 4.95% through July 4, 2024.	-	13,245,000	761,505	12,483,495
	<u>14,575,599</u>	<u>22,623,673</u>	<u>15,449,242</u>	<u>21,750,030</u>

\* Refinanced

## COMMUNITY CHRISTIAN CHURCH AND AFFILIATES

### Notes to the Consolidated Financial Statements September 30, 2018

#### NOTE 8 – LONG-TERM DEBT – Continued

##### Long-Term Liability Activity

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Construction Loans	\$ 7,672,136	-	7,672,136	-	-
Notes Payable	14,575,599	22,623,673	15,449,242	21,750,030	3,275,144
Debt Issuance Costs	(122,658)	(423,849)	(14,851)	(531,656)	-
	<u>22,125,077</u>	<u>22,199,824</u>	<u>23,106,527</u>	<u>21,218,374</u>	<u>3,275,144</u>

##### Debt Service Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, are as follows:

Fiscal Year	Notes Payable	
	Principal	Interest
2019	\$ 3,275,144	1,002,984
2020	3,440,993	837,136
2021	3,615,241	662,888
2022	3,798,311	479,818
2023	3,990,652	287,476
2024	3,629,689	84,779
Totals	<u>21,750,030</u>	<u>3,355,081</u>

## COMMUNITY CHRISTIAN CHURCH AND AFFILIATES

### Notes to the Consolidated Financial Statements September 30, 2018

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#### NOTE 9 – NET ASSETS

##### Without Donor Restrictions

Net Assets without donor restrictions as of September 30, 2018 was comprised of the following:

Program Restrictions	
Benevolence	\$ 42,667
Cars for Hope	17,800
Celebration Generosity	102,168
Celebration Generosity Global	30,554
Community 4:12	130,265
NewThing - Residents	22,888
NewThing - Networks	203,072
NewThing	1,908,176
Undesignated	<u>10,454,488</u>
Total	<u>12,912,078</u>

##### Net Assets Restatement

Beginning net assets was restated due to correcting a prior year accounts receivable balance. The following is a summary of the net assets as originally reported and as restated:

<u>Net Assets</u>	<u>As Reported</u>	<u>As Restated</u>	<u>(Decrease)</u>
Community	\$ 12,429,143	12,326,515	(102,628)

#### NOTE 10 – 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 \$161,675 for the year ended September 30, 2018.

## COMMUNITY CHRISTIAN CHURCH AND AFFILIATES

### Notes to the Consolidated Financial Statements September 30, 2018

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#### NOTE 11 – PAYMENTS TO RECIPIENT ORGANIZATIONS

During the year ended September 30, 2018, Community made the following cash payments to other nonprofit organizations which are shown as ministry programs and new initiative expenses on the Consolidated Statement of Activities:

Compassion International	\$ 244,844
Philippine Frontline Ministries	113,331
Leadership Network	21,000
Family Focus	10,000
Emmanuel House	<u>1,000</u>
Total	<u><u>390,175</u></u>

#### NOTE 12 – IN-KIND DONATIONS

Donated services are recognized as in-kind revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. Community generally pays for services requiring specific expertise, so no in-kind recognition is necessary. Community also receives donated services from a variety of unpaid volunteers assisting Community in its programs. However, these donated services are not reflected in the Consolidated Statements of Activities because the criteria for recognition have not been satisfied. During 2018, there were approximately 2,790 volunteers spending an estimated 290,000 hours in ministry including children’s programming, youth work, music, drama, teaching, organization, food preparation and service, and other related tasks.