

**CHRIST THE ROCK  
COMMUNITY CHURCH, INC.**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2014**

## CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 11



## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors  
Christ the Rock Community Church, Inc.  
Menasha, Wisconsin

We have reviewed the accompanying statement of financial position of Christ the Rock Community Church, Inc. as of December 31, 2014 and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Church management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion. The prior-year summarized financial information has been derived from the Church's 2013 financial statements and, in our report dated May 29, 2014, we stated that we were not aware of any material modifications that should be made to those financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants

Appleton, Wisconsin  
May 28, 2015



CHRIST THE ROCK COMMUNITY CHURCH, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2014

With Summarized Financial Information as of December 31, 2013

See Independent Accountants' Review Report

ASSETS	<u>2014</u>	<u>2013</u>
<u>Current assets</u>		
Cash and cash equivalents	\$ 1,009,898	\$ 879,789
Scrip inventory	<u>26,579</u>	<u>18,490</u>
Total current assets	<u>1,036,477</u>	<u>898,279</u>
<u>Property and equipment</u>		
Land and improvements	1,442,146	1,442,146
Building and improvements	8,435,041	8,435,041
Equipment	745,915	801,577
Furniture and fixtures	<u>217,789</u>	<u>217,789</u>
	10,840,891	10,896,553
Less accumulated depreciation	<u>5,122,939</u>	<u>4,856,127</u>
Net property and equipment	<u>5,717,952</u>	<u>6,040,426</u>
Beneficial interest in assets held by Community Foundation	<u>27,015</u>	<u>26,399</u>
Total assets	<u>\$ 6,781,444</u>	<u>\$ 6,965,104</u>
LIABILITIES AND NET ASSETS		
<u>Current liabilities</u>		
Current portion of long-term debt	\$ 142,000	\$ 157,000
Long-term debt less current maturities	<u>1,349,558</u>	<u>1,543,187</u>
Total liabilities	<u>1,491,558</u>	<u>1,700,187</u>
<u>Net assets</u>		
Unrestricted	5,231,443	5,221,677
Temporarily restricted	<u>58,443</u>	<u>43,240</u>
Total net assets	<u>5,289,886</u>	<u>5,264,917</u>
Total liabilities and net assets	<u>\$ 6,781,444</u>	<u>\$ 6,965,104</u>

See notes to financial statements.

CHRIST THE ROCK COMMUNITY CHURCH, INC.

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2014

With Summarized Financial Information for the Year Ended December 31, 2013  
See Independent Accountants' Review Report

	2014			2013
	Unrestricted	Temporarily Restricted	Total	
<u>Contributions and other revenues</u>				
Contributions:				
Menasha	\$ 3,065,903	\$ 500	\$ 3,066,403	\$ 2,862,230
Adult ministries	9,720	4,685	14,405	14,730
Youth ministries	7,765	-	7,765	9,415
Missions	229,642	29,795	259,437	245,661
Oshkosh	64,107	23,463	87,570	76,940
Fond du Lac	91,128	-	91,128	27,637
Scrip rebates	<u>16,616</u>	<u>-</u>	<u>16,616</u>	<u>17,352</u>
Total contributions	3,484,881	58,443	3,543,324	3,253,965
Other revenues:				
Adult ministries	54,258	-	54,258	51,808
Youth ministries	26,414	-	26,414	26,510
Missions	28,808	-	28,808	20,081
Interest and dividends	2,463	-	2,463	4,113
Return on beneficial interest in assets held by Community Foundation	616	-	616	3,098
Other	7,026	-	7,026	6,657
Net assets released from restriction	<u>43,240</u>	<u>(43,240)</u>	<u>-</u>	<u>-</u>
Total contributions and other revenues	<u>3,647,706</u>	<u>15,203</u>	<u>3,662,909</u>	<u>3,366,232</u>
<u>Expenses</u>				
Administration and building	861,856	-	861,856	860,781
Adult ministries	1,318,822	-	1,318,822	1,262,988
Youth ministries	330,409	-	330,409	245,280
Missions	590,435	-	590,435	777,552
Depreciation	334,658	-	334,658	339,143
Oshkosh	78,322	-	78,322	63,584
Fond du Lac	<u>123,438</u>	<u>-</u>	<u>123,438</u>	<u>39,711</u>
Total expenses	<u>3,637,940</u>	<u>-</u>	<u>3,637,940</u>	<u>3,589,039</u>
Change in net assets	9,766	15,203	24,969	(222,807)
<u>Net assets</u>				
Beginning of year	<u>5,221,677</u>	<u>43,240</u>	<u>5,264,917</u>	<u>5,487,724</u>
End of year	<u>\$ 5,231,443</u>	<u>\$ 58,443</u>	<u>\$ 5,289,886</u>	<u>\$ 5,264,917</u>

See notes to financial statements.

CHRIST THE ROCK COMMUNITY CHURCH, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2014

With Summarized Financial Information for the Year Ended December 31, 2013

See Independent Accountants' Review Report

	<u>2014</u>	<u>2013</u>
<u>Operating activities</u>		
Change in net assets	\$ 24,969	\$ (222,807)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Return on beneficial interest in assets held by Community Foundation	(616)	(3,098)
Contribution of equipment	(2,525)	-
Depreciation	334,658	339,143
Increase in scrip inventory	<u>(8,089)</u>	<u>(18,490)</u>
Net cash provided by operating activities	<u>348,397</u>	<u>94,748</u>
<u>Investing activities</u>		
Purchase of property and equipment	(9,659)	(4,824)
Proceeds from redemption of certificate of deposit	<u>-</u>	<u>274,079</u>
Net cash provided by (used for) investing activities	<u>(9,659)</u>	<u>269,255</u>
<u>Financing activities</u>		
Payments on long-term debt	<u>(208,629)</u>	<u>(175,693)</u>
<u>Cash and cash equivalents</u>		
Net increase	130,109	188,310
Beginning of year	<u>879,789</u>	<u>691,479</u>
End of year	<u>\$ 1,009,898</u>	<u>\$ 879,789</u>
<u>Supplemental disclosures of cash flow information</u>		
Cash paid for interest	\$ 64,594	\$ 73,377
<u>Non-cash investing and financing activities</u>		
Contribution of equipment	\$ 2,525	\$ -

See notes to financial statements.

CHRIST THE ROCK COMMUNITY CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

See Independent Accountants' Review Report

Note 1 - Nature of activities and significant accounting policies

A. Nature of activities

Christ the Rock Community Church, Inc., located in Menasha, Oshkosh and Fond du Lac Wisconsin, is a not-for-profit religious organization. Its primary source of revenue is contributions from church attendees.

B. Basis of accounting

The financial statements of the Church have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. The Church had no significant receivables, payables, or other liabilities as of December 31, 2014.

C. Basis of presentation

The Church is required to report information regarding its financial position and its activities in the following three classes of net assets:

Unrestricted net assets - net assets that are neither temporarily nor permanently restricted by donor-imposed stipulations.

Temporarily restricted net assets - net assets that result from contributions whose use by the Church is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Church pursuant to those stipulations.

Permanently restricted net assets - net assets resulting from contributions whose use by the Church is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of the Church.

The Church had no permanently restricted net assets as of December 31, 2014.

D. Estimates

Management uses estimates and assumptions in preparing 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.

E. Cash and cash equivalents

For purposes of the statement of cash flows, the Church considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

F. Inventories

Inventories of scrip rebate cards are stated at cost.

CHRIST THE ROCK COMMUNITY CHURCH, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2014  
See Independent Accountants' Review Report

Note 1 - Nature of activities and significant accounting policies, continued

G. Property and equipment and depreciation

All acquisitions and improvements of property and equipment in excess of \$1,000 are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased property and equipment is carried at cost. Donated property and equipment is recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated lives of the assets.

H. Contribution recognition

Unconditional contributions are recognized as revenue when they are promised or received, as applicable, and are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Church.

I. Other revenue recognition

Other revenue for adult and youth ministries and missions consists primarily of registration and event fees and product sales. Registration and event fees revenue is recognized in the year the activity is held and product sales revenue is recognized at the point of sale.

J. Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in Note 5. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

K. Income taxes

Christ the Rock Community Church, Inc. is a religious organization. Policy decisions and approvals for expenditure of funds are made by the Board of Elders which serves without compensation. As such, the Church presently qualifies as an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Church is also exempt from Wisconsin income taxes. However, income from certain activities not directly related to the Church's tax-exempt purpose is subject to taxation as unrelated business income. The Church has no unrelated business taxable income for the year ended December 31, 2014.



CHRIST THE ROCK COMMUNITY CHURCH, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2014  
See Independent Accountants' Review Report

Note 1 - Nature of activities and significant accounting policies, continued

K. Income taxes, continued

Penalties and interest assessed by income taxing authorities are included in administration and building expenses, if applicable. The Church had no interest and penalties related to income taxes for the year ended December 31, 2014. The Church's federal returns are subject to examination generally for three years after they are filed and its state returns are subject to examination generally for four years after they are filed, if applicable.

L. Summarized financial information

The financial statements include certain prior-year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Church's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

M. Subsequent events

The Church has evaluated events and transactions for potential recognition or disclosure in the financial statements through May 28, 2015, the date on which the financial statements were available to be issued.

Note 2 - Concentration of credit risk

The Church maintains its cash balances at a bank and a credit union. Aggregate deposits are insured by the FDIC up to \$250,000. In addition, deposits with the credit union are insured by the National Credit Union Share Insurance Fund up to \$250,000. The Church's cash balances may exceed these insured limits at times during the year. The Church has not experienced any losses on these accounts. Management believes the Church is not exposed to any significant credit risk on cash.

Note 3 - Beneficial interest in assets held by Community Foundation

Beneficial interest in assets held by Community Foundation represents an endowment held at the Community Foundation for the Fox Valley Region, Inc. (Foundation) called the Christ the Rock Community Church Fund (Fund). It was established to provide a permanent source of support for the Church. The Fund is the result of an internal designation and is not donor-restricted; therefore, it is classified and reported as unrestricted net assets. The endowment fund is the legal asset of the Foundation. The agreement governing the assets includes a variance power allowing the Foundation to modify the restrictions on distributions from the Fund. Distributions from the Fund are ordinarily made annually to the Church following the Foundation's spending policy. The Foundation's spending policy of appropriating distributions each year is calculated to be 5% of the market value of the fund, which is based on the previous three-year average market value. Over the long term, the Church expects the current spending policy to allow its fund to grow. This is consistent with the Church's objective to maintain the purchasing power of the assets as well as to provide additional real growth through investment return.

CHRIST THE ROCK COMMUNITY CHURCH, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2014  
See Independent Accountants' Review Report

Note 3 - Beneficial interest in assets held by Community Foundation, continued

To achieve that objective, the Church works with the Foundation to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the fund if possible. Accordingly, the Church expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed by the Foundation to not expose the fund to unacceptable levels of risk.

Composition and changes in the Fund net assets for the year ended December 31, 2014 were as follows:

Board-designated endowment fund net assets, beginning of year	\$ 26,399
Net appreciation	<u>616</u>
Board-designated endowment fund net assets, end of year	<u><u>\$ 27,015</u></u>

Note 4 - Long-term debt

Long-term debt at December 31, 2014 consists of the following:

<u>City of Oshkosh</u>	
Assessment, payable in annual principal installments of \$683 with interest at 3.81%, with the final payment due June 2017	\$ 2,048
 <u>Financial Institution</u>	
3.99% promissory note payable, due in monthly installments of \$17,541, including principal and interest, through August 2017 with a final balloon payment due September 2017, secured by a general business security agreement and real estate; Management believes that the Church was in compliance with all covenants at December 31, 2014	<u>1,489,510</u>
Total long-term debt	1,491,558
Less current maturities	<u>142,000</u>
Long-term debt, less current maturities	<u><u>\$ 1,349,558</u></u>

CHRIST THE ROCK COMMUNITY CHURCH, INC.  
 NOTES TO FINANCIAL STATEMENTS, CONTINUED  
 December 31, 2014  
 See Independent Accountants' Review Report

Note 4 - Long-term debt, continued

The aggregate long-term debt maturing during the succeeding years is approximately as follows:

<u>Year ending December 31,</u>	
2015	\$ 142,000
2016	160,000
2017	<u>1,189,558</u>
	<u>\$ 1,491,558</u>

Interest expense for the year ended December 31, 2014 was \$64,594.

Note 5 - Functional classification of expenses

Expenses by function for the year ended December 31, 2014 were as follows:

Program services	\$ 2,931,245
Supporting services	
Management and general	640,593
Fundraising	<u>66,102</u>
Total	<u>\$ 3,637,940</u>

Note 6 - Nature and amount of temporarily restricted net assets

Temporarily restricted net assets at December 31, 2014 are for the following purposes:

Thanksgiving meal	\$ 5,270
Food pantry	938
Missionary donations	22,357
Counseling	1,836
Freedom fighters	2,468
Oshkosh church location	23,463
General	<u>2,111</u>
Total	<u>\$ 58,443</u>

CHRIST THE ROCK COMMUNITY CHURCH, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2014  
See Independent Accountants' Review Report

Note 7 - Leases

The Church leases certain office equipment and building space under various operating leases and month-to-month leases. Rent expense for all leases amounted to \$49,332 for the year ended December 31, 2014.

Future minimum lease payments as of December 31, 2014 under non-cancelable operating leases with terms of one year or more are as follows:

<u>Year ending December 31,</u>	
2015	\$ 16,498
2016	13,099
2017	8,239
2018	8,239
2019	<u>6,193</u>
	<u>\$ 52,268</u>

Note 8 - Employee benefit plan

The Church has a 401(k) defined contribution plan (the plan) for substantially all employees of the Church who are at least 18 years old and who have worked at least six months for the Church. Employees may make before-tax contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Employer contributions are not allowed under the plan.

Note 9 - Fair value measurements

Financial Accounting Standards Board (FASB), ASC 820 *Fair Value Measurements and Disclosures* clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures on fair value measurements in financial statements. ASC 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Church's market assumptions.

The fair value hierarchy specified by ASC 820 is as follows:

Level 1 - Quoted prices in active markets for identical assets and liabilities.

Level 2 - Quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

CHRIST THE ROCK COMMUNITY CHURCH, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2014  
See Independent Accountants' Review Report

Note 9 - Fair value measurements, continued

The Church's beneficial interest in assets held by Community Foundation is carried at fair value. The fair value is provided by the Foundation and consists of the right to receive cash flows from the Foundation. The fair value provided by the Foundation is considered a Level 3 input. Fair value is determined by allocating a portion of the Foundation's investment pools.

The following is a reconciliation of beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2014:

Beginning balance - January 1, 2014	\$ 26,399
Net gains, realized and unrealized, included in change in net assets	<u>616</u>
Ending balance - December 31, 2014	<u>\$ 27,015</u>
Change in unrealized gains related to Level 3 assets still held at December 31, 2014	<u>\$ 616</u>