

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

FINANCIAL STATEMENTS

Year Ended December 31, 2015



Schenck_{SC}

CPAs AND SO MUCH MORE.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying financial statements of Christ the Rock Community Church, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

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 accordance with accounting principles generally accepted in the United States of America.



Report on Summarized Comparative Information

We have previously reviewed Christ the Rock Community Church, Inc.'s financial statements as of and for the year ended December 31, 2014 and in our report dated May 28, 2015, stated that based on our review, we were not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2015, for it to be consistent with the reviewed financial statements from which it has been derived.

Schenck DC

Certified Public Accountants

Appleton, Wisconsin
April 18, 2016

CHRIST THE ROCK COMMUNITY CHURCH, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2015

With Summarized Financial Information as of December 31, 2014

See Independent Accountants' Review Report

	<u>2015</u>	<u>2014</u>
<u>Current assets</u>		
Cash and cash equivalents	\$ 979,099	\$ 1,009,898
Scrip inventory	<u>27,962</u>	<u>26,579</u>
Total current assets	<u>1,007,061</u>	<u>1,036,477</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	750,740	745,915
Furniture and fixtures	217,789	217,789
Construction in progress	<u>123,500</u>	<u>-</u>
	10,969,216	10,840,891
Less accumulated depreciation	<u>5,425,125</u>	<u>5,122,939</u>
Net property and equipment	<u>5,544,091</u>	<u>5,717,952</u>
Beneficial interest in assets held by Community Foundation	<u>25,810</u>	<u>27,015</u>
Total assets	<u>\$ 6,576,962</u>	<u>\$ 6,781,444</u>
LIABILITIES AND NET ASSETS		
<u>Current liabilities</u>		
Accounts payable	\$ 1,918	\$ -
Current portion of long-term debt	<u>682</u>	<u>142,000</u>
Total current liabilities	2,600	142,000
Long-term debt less current maturities	<u>1,389,943</u>	<u>1,349,558</u>
Total liabilities	<u>1,392,543</u>	<u>1,491,558</u>
<u>Net assets</u>		
Unrestricted	5,125,903	5,231,443
Temporarily restricted	<u>58,516</u>	<u>58,443</u>
Total net assets	<u>5,184,419</u>	<u>5,289,886</u>
Total liabilities and net assets	<u>\$ 6,576,962</u>	<u>\$ 6,781,444</u>

See notes to financial statements.

CHRIST THE ROCK COMMUNITY CHURCH, INC.

STATEMENT OF ACTIVITIES
 Year Ended December 31, 2015
 With Summarized Financial Information for the Year Ended December 31, 2014
 See Independent Accountants' Review Report

	2015			2014
	Unrestricted	Temporarily Restricted	Total	
Contributions and other revenues				
Contributions:				
Menasha	\$ 3,081,173	\$ 1,650	\$ 3,082,823	\$ 3,066,403
Adult ministries	9,075	2,990	12,065	14,405
Youth ministries	7,745	-	7,745	7,765
Missions	296,574	19,560	316,134	259,437
Oshkosh	58,181	26,287	84,468	87,570
Fond du Lac	82,440	-	82,440	91,128
Scrip rebates	14,678	-	14,678	16,616
Total contributions	3,549,866	50,487	3,600,353	3,543,324
Other revenues:				
Adult ministries	50,229	-	50,229	54,258
Youth ministries	25,454	-	25,454	26,414
Missions	30,209	-	30,209	28,808
Interest and dividends	2,656	-	2,656	2,463
Return on beneficial interest in assets held by Community Foundation	(1,205)	-	(1,205)	616
Other	7,737	-	7,737	7,026
Net assets released from restriction	50,414	(50,414)	-	-
Total contributions and other revenues	3,715,360	73	3,715,433	3,662,909
Expenses				
Administration and building	951,590	-	951,590	861,856
Adult ministries	1,283,959	-	1,283,959	1,318,822
Youth ministries	351,238	-	351,238	330,409
Missions	697,287	-	697,287	590,435
Depreciation	331,620	-	331,620	334,658
Oshkosh	81,645	-	81,645	78,322
Fond du Lac	123,561	-	123,561	123,438
Total expenses	3,820,900	-	3,820,900	3,637,940
Change in net assets	(105,540)	73	(105,467)	24,969
Net assets				
Beginning of year	5,231,443	58,443	5,289,886	5,264,917
End of year	\$ 5,125,903	\$ 58,516	\$ 5,184,419	\$ 5,289,886

See notes to financial statements.

CHRIST THE ROCK COMMUNITY CHURCH, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2015

With Summarized Financial Information for the Year Ended December 31, 2014

See Independent Accountants' Review Report

	<u>2015</u>	<u>2014</u>
<u>Operating activities</u>		
Change in net assets	\$ (105,467)	\$ 24,969
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Return on beneficial interest in assets held by Community Foundation	1,205	(616)
Contribution of equipment	-	(2,525)
Depreciation	331,620	334,658
Gain on sale of property and equipment	(804)	-
Increase in scrip inventory	(1,383)	(8,089)
Increase in accounts payable	<u>1,918</u>	<u>-</u>
Net cash provided by operating activities	<u>227,089</u>	<u>348,397</u>
<u>Investing activities</u>		
Purchase of property and equipment	(157,759)	(9,659)
Proceeds from sale of property and equipment	<u>804</u>	<u>-</u>
Net cash used for investing activities	<u>(156,955)</u>	<u>(9,659)</u>
<u>Financing activities</u>		
Proceeds from long-term debt	1,389,260	-
Payments on long-term debt	<u>(1,490,193)</u>	<u>(208,629)</u>
Net cash used for financing activities	<u>(100,933)</u>	<u>(208,629)</u>
<u>Cash and cash equivalents</u>		
Net increase (decrease)	(30,799)	130,109
Beginning of year	<u>1,009,898</u>	<u>879,789</u>
End of year	<u>\$ 979,099</u>	<u>\$ 1,009,898</u>
<u>Supplemental disclosures of cash flow information</u>		
Cash paid for interest	\$ 57,773	\$ 64,594
<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, 2015

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, 2015.

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, 2015.

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, 2015
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, 2015.

CHRIST THE ROCK COMMUNITY CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2015

See Independent Accountants' Review Report

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

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, 2014, 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 April 18, 2016, 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 two credit unions. Aggregate deposits are insured by the FDIC or 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.

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.

CHRIST THE ROCK COMMUNITY CHURCH, INC.
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 December 31, 2015
 See Independent Accountants' Review Report

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

Composition and changes in the Fund net assets for the year ended December 31, 2015 were as follows:

Board-designated endowment fund net assets, beginning of year	\$ 27,015
Net depreciation	(1,205)
Board-designated endowment fund net assets, end of year	\$ 25,810

Note 4 - Long-term debt

Long-term debt at December 31, 2015 consists of the following:

<u>Community First Credit Union</u>	
\$2,000,000 revolving line of credit, payable in monthly interest at 3.25% through December 2016 with a final payment of all outstanding principal and interest due January 2017, secured by a general business security agreement and real estate	\$ 1,389,260
 <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	1,365
Total long-term debt	1,390,625
Less current maturities	682
Long-term debt, less current maturities	\$ 1,389,943

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

<u>Year ending December 31,</u>	
2016	\$ 682
2017	1,389,943
	\$ 1,390,625

Interest expense for the year ended December 31, 2015 was \$57,773.

CHRIST THE ROCK COMMUNITY CHURCH, INC.
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 December 31, 2015
 See Independent Accountants' Review Report

Note 5 - Functional classification of expenses

Expenses by function for the year ended December 31, 2015 were as follows:

Program services	\$ 3,032,307
Supporting services	
Management and general	643,225
Fundraising	<u>145,368</u>
Total	<u>\$ 3,820,900</u>

Note 6 - Nature and amount of temporarily restricted net assets

Temporarily restricted net assets at December 31, 2015 are for the following purposes:

Thanksgiving meal	\$ 10,840
Food pantry	734
Missionary donations	14,641
Caring hearts	380
Freedom fighters	3,984
Oshkosh church location	26,287
General	<u>1,650</u>
Total	<u>\$ 58,516</u>

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 \$46,894 for the year ended December 31, 2015.

Future minimum lease payments as of December 31, 2015 under non-cancelable operating leases with terms of one year or more are as follows:

<u>Year ending December 31,</u>	
2016	\$ 37,699
2017	32,839
2018	32,839
2019	30,793
2020	<u>23,727</u>
	<u>\$157,897</u>

CHRIST THE ROCK COMMUNITY CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2015

See Independent Accountants' Review Report

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.

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, 2015:

Beginning balance - January 1, 2015	\$ 27,015
Net losses, realized and unrealized, included in change in net assets	<u>(1,205)</u>
Ending balance - December 31, 2015	<u>\$ 25,810</u>
Change in unrealized losses related to Level 3 assets still held at December 31, 2015	<u>\$ (1,205)</u>

CHRIST THE ROCK COMMUNITY CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2015

See Independent Accountants' Review Report

Note 10 - Fundraising campaign

After December 31, 2015, the Church began a \$12,000,000 fundraising campaign to raise \$6,750,000 for operations, \$4,400,000 for Church renovations, and \$850,000 for missions. As of April 18, 2016, the Church has received approximately \$5,700,000 of promises to give from this fundraising campaign. To assist with this campaign, the Church entered into a \$55,000 fundraising consulting agreement. During the year ended December 31, 2015, \$35,000 has been expensed for this fundraising consulting agreement and is included in administrative and building expenses on the statement of activities.

The Church is currently negotiating a construction contract with Aspen, Inc. estimated to be approximately \$3,900,000 to renovate the Church's first floor classrooms and lobby. During 2015, the Church entered into a \$423,500 design agreement for this project. As of December 31, 2015, \$123,500 has been paid towards the design agreement and is included in construction in progress on the statement of financial position.