

**BLACK ROCK CHURCH AND  
SUBSIDIARY  
CONSOLIDATED FINANCIAL  
STATEMENTS  
YEARS ENDED  
MAY 31, 2020 AND 2019**

BLACK ROCK CHURCH AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	May 31,	
	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,495,607	\$ 2,355,855
Restricted cash	305,859	167,225
Investments	155,925	361,565
Contributions receivable	263,692	1,546,060
Prepaid rent	136,250	151,250
Deposit on furniture and equipment	-	307,419
Prepaid expenses	<u>33,515</u>	<u>55,874</u>
Total Current Assets	<u>4,390,848</u>	<u>4,945,248</u>
Non-Current Assets		
Beneficial interest in trust	273,232	272,891
Property and equipment - net	<u>28,815,980</u>	<u>26,931,417</u>
Total Non-Current Assets	<u>29,089,212</u>	<u>27,204,308</u>
TOTAL ASSETS	<u>\$ 33,480,060</u>	<u>\$ 32,149,556</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 236,474	\$ 78,793
Accrued construction costs	-	592,780
Deferred revenue	-	163,866
Grants payable - current portion	25,000	-
Mortgage loan - current portion	<u>52,716</u>	<u>-</u>
Total Current Liabilities	<u>314,190</u>	<u>835,439</u>
Non-Current Liabilities		
Grants payable - long-term portion	22,741	-
Mortgage loan - long-term portion	3,110,891	1,278,330
Federal Paycheck Protection Program loan	<u>491,900</u>	<u>-</u>
Total Non-Current Liabilities	<u>3,625,532</u>	<u>1,278,330</u>
Total Liabilities	<u>3,939,722</u>	<u>2,113,769</u>
Net Assets		
Without donor restrictions		
Undesignated	28,229,425	26,809,904
Board designated	<u>120,008</u>	<u>139,259</u>
Total Without Donor Restrictions	28,349,433	26,949,163
With donor restrictions	<u>1,190,905</u>	<u>3,086,624</u>
Total Net Assets	<u>29,540,338</u>	<u>30,035,787</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,480,060</u>	<u>\$ 32,149,556</u>

See accompanying notes to the consolidated financial statements.

**BLACK ROCK CHURCH AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**

	Year Ended May 31, 2020			Year Ended May 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Offerings	\$ 3,649,743	\$ 2,441,824	\$ 6,091,567	\$ 3,980,168	\$ 1,933,470	\$ 5,913,638
Summer camp registration fees	265,227	-	265,227	264,741	-	264,741
Interest	20,956	4,302	25,258	6,262	1,150	7,412
Miscellaneous income	43,748	-	43,748	58,472	-	58,472
Donated services	-	-	-	18,712	-	18,712
Café sales	37,025	-	37,025	34,815	-	34,815
Ministry events and projects	440,841	-	440,841	257,237	-	257,237
Change in beneficial interest in trust	-	11,589	11,589	-	(2,489)	(2,489)
Loss on disposal of property and equipment	(6,798)	-	(6,798)	-	-	-
Realized and unrealized gains (losses) on investments	6,994	(201)	6,793	5,462	(425)	5,037
Total Revenue and Support Before Net Assets Released From Restrictions	4,457,736	2,457,514	6,915,250	4,625,869	1,931,706	6,557,575
Net Assets Released From Restrictions	4,353,233	(4,353,233)	-	6,951,457	(6,951,457)	-
Total Revenue and Support	8,810,969	(1,895,719)	6,915,250	11,577,326	(5,019,751)	6,557,575
Operating Expenses						
Program services	6,245,668	-	6,245,668	5,832,395	-	5,832,395
Supporting services	1,095,711	-	1,095,711	1,166,374	-	1,166,374
Fundraising	69,320	-	69,320	75,541	-	75,541
Total Operating Expenses	7,410,699	-	7,410,699	7,074,310	-	7,074,310
Change in Net Assets	1,400,270	(1,895,719)	(495,449)	4,503,016	(5,019,751)	(516,735)
Net Assets, Beginning of Year	26,949,163	3,086,624	30,035,787	22,446,147	8,106,375	30,552,522
Net Assets, End of Year	\$ 28,349,433	\$ 1,190,905	\$ 29,540,338	\$ 26,949,163	\$ 3,086,624	\$ 30,035,787

See accompanying notes to the consolidated financial statements.

BLACK ROCK CHURCH AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended May 31, 2020				Year Ended May 31, 2019			
	Program Services	Supporting Services	Fundraising	Total	Program Services	Supporting Services	Fundraising	Total
Salaries, benefits and payroll taxes	\$ 2,112,283	\$ 510,162	\$ 20,882	\$ 2,643,327	\$ 2,048,112	\$ 551,415	\$ 26,258	\$ 2,625,785
Missions	1,464,003	-	-	1,464,003	1,385,351	-	-	1,385,351
Depreciation	735,050	177,530	7,267	919,847	615,744	165,777	7,894	789,415
Employee health insurance	268,044	64,739	2,650	335,433	222,036	59,779	2,847	284,662
Church building maintenance	324,427	-	-	324,427	274,359	-	-	274,359
Bad debt expense	160,112	-	-	160,112	-	-	-	-
Ministry projects	268,309	-	-	268,309	338,545	-	-	338,545
Administrative	-	200,231	-	200,231	-	229,518	-	229,518
Utilities	136,595	32,991	1,350	170,936	148,259	39,916	1,901	190,076
Office	37,922	110,058	-	147,980	2,355	119,969	-	122,324
Miscellaneous	114,501	-	-	114,501	140,144	-	-	140,144
Summer camp supplies	97,940	-	-	97,940	83,754	-	-	83,754
Ministry expenses - Deacon	92,874	-	-	92,874	102,302	-	-	102,302
Youth ministries	80,639	-	-	80,639	89,116	-	-	89,116
Interest	76,197	-	-	76,197	44,836	-	-	44,836
Music ministries	63,069	-	-	63,069	79,687	-	-	79,687
Insurance	51,650	-	-	51,650	52,704	-	-	52,704
Café	-	-	37,171	37,171	-	-	36,641	36,641
Spiritual development	32,470	-	-	32,470	17,403	-	-	17,403
Children's ministries	28,310	-	-	28,310	43,708	-	-	43,708
Sanctuary ministries	23,713	-	-	23,713	37,909	-	-	37,909
Other ministries	22,144	-	-	22,144	25,955	-	-	25,955
Advertising	19,981	-	-	19,981	16,666	-	-	16,666
Automobile	18,288	-	-	18,288	22,792	-	-	22,792
Adult ministries	12,479	-	-	12,479	28,226	-	-	28,226
Van maintenance	4,668	-	-	4,668	12,432	-	-	12,432
	<u>\$ 6,245,668</u>	<u>\$ 1,095,711</u>	<u>\$ 69,320</u>	<u>\$ 7,410,699</u>	<u>\$ 5,832,395</u>	<u>\$ 1,166,374</u>	<u>\$ 75,541</u>	<u>\$ 7,074,310</u>

See accompanying notes to the consolidated financial statements.

**BLACK ROCK CHURCH AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended May 31,	
	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (495,449)	\$ (516,735)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Beneficial interest in net assets of trust	(341)	13,839
Realized and unrealized gain on investments	(6,793)	(5,037)
Bad debt expense	160,112	-
Amortization of financing costs	3,588	27,737
Depreciation	919,847	789,415
Loss on disposal of equipment	6,798	-
Changes in operating assets and liabilities:		
Contributions receivable	1,122,256	3,015,678
Contributions restricted for long-term purposes	(1,130,679)	(3,283,571)
Prepaid rent	15,000	(151,250)
Deposit on furniture and equipment	-	(307,419)
Prepaid expenses	22,359	(16,599)
Accrued expenses	157,681	(36,206)
Deferred revenue	(163,866)	(8,621)
Grants payable	47,741	-
Accrued interest payable	-	(7,062)
Net Cash Provided (Used) by Operating Activities	<u>658,254</u>	<u>(485,831)</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(410,506)	(303,367)
Proceeds from sale of investments	622,939	-
Purchases of property and equipment	<u>(3,096,569)</u>	<u>(4,183,654)</u>
Net Cash Used by Investing Activities	<u>(2,884,136)</u>	<u>(4,487,021)</u>
<b>Cash Flows from Financing Activities</b>		
Contributions received restricted for property and equipment	1,130,679	3,283,571
Proceeds from mortgage loan	1,881,689	1,365,045
Proceeds from Federal Paycheck Protection Program	491,900	-
Finance costs paid	-	(89,705)
Repayments of mortgage loan	<u>-</u>	<u>(2,343,220)</u>
Net Cash Provided by Financing Activities	<u>3,504,268</u>	<u>2,215,691</u>
Change in Cash and Cash Equivalents and Restricted Cash	1,278,386	(2,757,161)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	<u>2,523,080</u>	<u>5,280,241</u>
Cash and Cash Equivalents and Restricted Cash, End of Year	<u>\$ 3,801,466</u>	<u>\$ 2,523,080</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	<u>\$ 141,290</u>	<u>\$ 59,105</u>
Construction in progress in accrued construction costs	<u>\$ -</u>	<u>\$ 592,780</u>
Furniture and equipment prepaid in prior year	<u>\$ 307,419</u>	<u>\$ -</u>

See accompanying notes to the consolidated financial statements.

BLACK ROCK CHURCH AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MAY 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Black Rock Church and Subsidiary (Church or Organization) is a non-profit organization established under the laws of the State of Connecticut that operates exclusively for religious purposes. The Church is supported primarily through contributions from the congregation. The Church's programs consist of its worship and ministry programs, mission programs, and educational programs.

Guidance Adopted in 2020

In May 2014, the Financial Accounting Standards Board (FASB) issued FASB ASU 2014-09: *Revenue from Contracts with Customers*, which clarifies the principles for recognizing revenue. This guidance includes the required steps to achieve the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Church adopted this guidance as of June 1, 2019. The adoption of this standard had an immaterial effect on the financial statements.

In June 2018, FASB issued FASB ASU 2018-08: *Not-For-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope an accounting guidance for contributions received and contributions made. The amendments assist entities in (1) evaluation whether transactions should be accounted for as contributions (nonreciprocal) transactions within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This standard did not have a material impact on the financial statements.

Principles of Consolidation

The consolidated financial statements present the consolidated financial results of Black Rock Church and its wholly owned subsidiary, BRCC Holdings, LLC, with all significant balances and transactions between the two entities eliminated.

Estimates

Management uses estimates and assumptions in preparing these consolidated 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.

Basis of Presentation

The consolidated financial statements of the Church have been prepared on the accrual basis of accounting. The Church reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

BLACK ROCK CHURCH AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MAY 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and payroll taxes and related benefits are allocated based on estimates of actual time spent on program activities, support activities, and fundraising activities.

Contributions

Contributions are recognized when the donor makes a promise to give to the Church that is, in substance, unconditional. Contributions that are unrestricted by the donor are reported as an increase in net assets without donor restrictions as are contributions with donor-imposed restrictions which expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. The Church frequently receives faith promises from donors for future periods or projects. The promisor makes a faith promise to give funds to the Church. It is understood that the faith promise is conditioned upon the funds being available to give. Faith promises are used by the Church to budget operations for the year. The Church's policy is that pledges that are made for budgetary purposes only or that clearly allow the promise makers to change their minds are intentions to give and not promises to give. Accordingly, these are not recorded as contributions receivable in the consolidated statements of financial position.

Revenue from Contracts with Customers

Revenue from contracts with customers consist of the following:

	Year Ended	
	<u>2020</u>	<u>2019</u>
Summer camp registration fees	\$ 265,227	\$ 264,741
Café sales	<u>37,025</u>	<u>34,815</u>
Total	<u>\$ 302,252</u>	<u>\$ 299,556</u>

Registration fees for the summer camp are recognized as revenue in the period the campers attend the camp. Registration fees received in advance of the summer camp are recorded as deferred revenue in the consolidated statements of financial position.

Revenue for café sales is recognized at the point of sale.

BLACK ROCK CHURCH AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MAY 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Grants Payable

The Church awards grants and contributions to other organizations for purposes of supporting specific program initiatives. Grants and contributions made to others are recognized as expenses in the period the grant or contribution is made. Promised grants and contributions are recognized in the period in which the promises are made if the promise is unconditional. If the promised grant or contribution is conditional, the expense is recognized when the condition is substantially met.

Investments

The Church records investments at their fair values in the consolidated statements of financial position.

Income Taxes

The Church qualifies as a tax-exempt church under Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments with an initial maturity of three months or less.

Advertising

Advertising costs are expensed as incurred. Advertising expenses for the year ended May 31, 2020 and 2019 were \$19,981 and \$16,666, respectively.

Property and Equipment

The Church capitalizes all expenditures for property and equipment with an expected life greater than one year in excess of a cost of \$2,000, which includes sales tax, freight charges and/or installation costs. Depreciation is computed on the straight-line basis method over the estimated lives of the assets, which can range from three to 40 years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the consolidated statements of activities. The costs of maintenance and repairs that do not improve or extend the lives of the respective assets are expensed.

Reclassification of Prior Year

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation. These reclassifications did not have an effect on previously reported change in net assets.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Liquidity

The operations and programs of the Church are primarily funded by contributions from Church members, as well as from ministry events and projects and the revenue from summer camp registration. As part of the Church's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

BLACK ROCK CHURCH AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MAY 31, 2020 AND 2019

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS – (CONTINUED)

Availability of Financial Assets

The following reflects the Church's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for operation and other reserves that could be drawn upon if the Board approves that action.

	May 31, <u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,495,607	\$ 2,355,855
Restricted cash	305,859	167,255
Investments	155,925	361,565
Contributions receivable	<u>263,692</u>	<u>1,546,060</u>
	<u>4,221,083</u>	<u>4,430,735</u>
Less amounts not available to be used within one year:		
Restricted cash	305,859	167,255
Net assets with donor restrictions	1,190,905	3,086,624
Board designated net assets	<u>120,008</u>	<u>139,259</u>
	<u>1,616,772</u>	<u>3,393,138</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 2,604,311</u>	<u>\$ 1,037,597</u>

NOTE 3 - DONATED SERVICES

The Church recognizes contributions of services received if they create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. The Church did not receive any such services for the year ended May 31, 2020. During the year ended May 31, 2019 the Church received donated accounting services from a firm owned by a board member of \$18,712.

A substantial number of individuals volunteer their time as officers, board or committee members and perform a variety of tasks that include assisting the Church with specific programs and serves on various committees. Such donated services have not been quantified and reflected in the consolidated financial statements since they do not meet the criteria for recognition. The Church generally pays for services requiring specific expertise.

BLACK ROCK CHURCH AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MAY 31, 2020 AND 2019

NOTE 4 - CONTRIBUTIONS RECEIVABLE

The Church had unconditional promises to give of \$263,692 and \$1,546,060 as of May 31, 2020 and 2019, respectively.

Contributions receivable consist of:

	May 31,	
	<u>2020</u>	<u>2019</u>
Contributions due in less than one year	\$ 939,169	\$ 2,072,175
Less: allowance for uncollectible pledges	<u>(675,477)</u>	<u>(526,115)</u>
	<u>\$ 263,692</u>	<u>\$ 1,546,060</u>

NOTE 5 - FAIR VALUE MEASUREMENTS

The financial accounting standards codification defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value in three broad levels:

- Level 1: Inputs are based upon adjusted quoted prices for identical instruments traded in active markets.
- Level 2: Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are, therefore, determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques. These inputs reflect the assumptions of management about assumptions market participants would use in pricing the investments.

BLACK ROCK CHURCH AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MAY 31, 2020 AND 2019

NOTE 5 - FAIR VALUE MEASUREMENTS – (CONTINUED)

The Church's assets at fair value classified as Level 1 on a recurring basis is as follows:

	May 31,	
	<u>2020</u>	<u>2019</u>
Mutual fund	\$ 54,013	\$ 54,113
Exchange traded products	101,912	-
United States Treasury Bill	<u>-</u>	<u>307,452</u>
	<u>\$ 155,925</u>	<u>\$ 361,565</u>

The fair value of mutual funds, exchange traded products, and U.S Treasury securities, measured on a recurring basis, are Level 1. These investments are valued at quoted market prices for identical instruments traded in active markets.

NOTE 6 - CONCENTRATION OF CREDIT RISK

As of May 31, 2020 and 2019, the Church held cash of \$3,032,164 and \$1,312,006, respectively, in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC). The Church, however, has not experienced any losses on these accounts and management does not believe that its cash balances are subject to significant credit risk.

NOTE 7 - RETIREMENT PLAN

The Church has a 403(b) retirement plan that covers all employees who have completed six months of service and attained the age of 21. The Plan provides that the Church match contributions of participating employees at the rate of 50% up to 6% of their total earnings. The Church's contributions amounted to \$33,480 and \$30,846 for the years ended May 31, 2020 and 2019, respectively, and is recorded in salaries, benefits and payroll taxes on the accompanying consolidated statements of functional expenses.

NOTE 8 - MORTGAGE PAYABLE

Construction Loan to Finance Expansion of 3685 Black Rock Turnpike

On August 6, 2018, the Church entered into a 25-year commercial construction loan with a financial institution for an amount up to \$6,000,000 to finance the construction of the second floor at its church located at 3685 Black Rock Turnpike.

The loan incurs interest at a rate of 4.85% per year, which will be adjusted at the end of the 7th, 14th and 21st years of the loan to the Thrivent Financial then current rate for similar loans. During the first two years (through August 2020), the Church will only be responsible for interest payments, which will be calculated based on the outstanding balance of the loan. Beginning with the 25th month, principal and interest (payable in arrears) will be payable in equal monthly installments in an amount that will fully amortize the loan over the remaining 23 years of the loan term.

BLACK ROCK CHURCH AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MAY 31, 2020 AND 2019

NOTE 8 - MORTGAGE PAYABLE – (CONTINUED)

Construction Loan to Finance Expansion of 3685 Black Rock Turnpike – (Continued)

The loan is secured by a first mortgage or Deed of Trust on all the land and improvements owned by the Church, a first lien on all personal property owned by the Church, and an assignment of cash (to be held in a restricted account at a commercial bank) and pledges associated with the capital campaign on the construction project. The Church must comply with certain financial covenants.

Aggregate principal payments of mortgage payable are:

Year Ending May 31,	
2021	\$ 52,716
2022	82,333
2023	86,416
2024	90,702
2025	95,200
Thereafter	<u>2,839,367</u>
	3,246,734
Less: unamortized finance costs	<u>83,127</u>
Total Mortgage Payable	<u>\$ 3,163,607</u>

In September of 2020, the bank prepaid its mortgage loan by an amount of \$1,005,859 (see Note 17).

Interest expense was \$76,197 and \$44,836 for the years ended May 31, 2020 and 2019, respectively. Interest capitalized into buildings and building improvements during the years ended May 31, 2020 and 2019 was \$73,307 and \$7,062, respectively.

NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	May 31,	
	<u>2020</u>	<u>2019</u>
Buildings and building improvements	\$ 27,245,077	\$ 20,329,208
Construction-in-progress	-	4,848,053
Land	3,634,710	3,634,710
Computers and equipment	1,029,546	999,367
Furniture and fixtures	1,293,083	586,668
Automobiles and trucks	<u>104,479</u>	<u>104,479</u>
	33,306,895	30,502,485
Accumulated depreciation	<u>(4,490,915)</u>	<u>(3,571,068)</u>
	<u>\$ 28,815,980</u>	<u>\$ 26,931,417</u>

BLACK ROCK CHURCH AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MAY 31, 2020 AND 2019

NOTE 9 - PROPERTY AND EQUIPMENT – (CONTINUED)

Construction-in-progress recorded as of May 31, 2019 relates to the construction of the second floor at the church located at 3685 Black Rock Turnpike. This amount was reclassified to buildings and building improvements when the project was substantially completed in September 2019.

NOTE 10 - BOARD DESIGNATED FUNDS

At year-end, funds designated by the Church Elders were as follows:

	May 31,	
	<u>2020</u>	<u>2019</u>
BRC-LR seed	\$ 36,500	\$ 59,700
Marriage ministry	15,025	3,756
Women's ministry	12,079	12,046
Matthew.25	10,415	7,716
CSB stockade	8,037	8,368
CARS ministry	6,431	7,733
CSB leaders training	2,979	2,979
Special events	2,829	955
Seniors of the Rock	2,776	2,777
Men's ministry	2,439	7,868
Care ministry	2,377	2,377
Sunday school	2,179	609
Special projects	2,107	7,640
Senior high events	1,831	341
Moms of the Rock	1,778	-
Spiritual development	1,705	1,691
Long Ridge in/out	1,479	-
Junior high events	1,200	3,777
Dads of the Rock	1,084	1,056
Revive	1,077	1,077
Chancel choir	1,061	810
Sanctuary apparel	994	1,602
Vacation bible school	683	3,165
Awana	544	544
Sews and sews	290	290
Community groups	109	89
CBS Batallion	-	249
Sanctuary retreats	-	44
	<u>\$ 120,008</u>	<u>\$ 139,259</u>

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NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

The Church's net assets with donor restrictions consist of the following:

	May 31,	
	<u>2020</u>	<u>2019</u>
Ministry Fund		
Choir and orchestra supplies	\$ 11,602	\$ 11,602
Diversity initiatives	10,000	10,000
Community Outreach 2020	15,843	-
Mortgage Payments	<u>150,000</u>	<u>-</u>
Total Local Ministry Fund	<u>187,445</u>	<u>21,602</u>
Missions Fund		
Missions - general	265,597	403,893
Designated missions	86,938	187,570
Church short-term missions trips	59,477	74,107
College loans	57,391	65,556
Royal family kid's camp	42,902	44,670
Missions conference	<u>-</u>	<u>392</u>
Total Missions Fund	<u>512,305</u>	<u>776,188</u>
Building Fund - For Expenses Related to 3865 Black Rock Turnpike	<u>-</u>	<u>1,855,495</u>
Beneficial Interest in Trust	<u>273,232</u>	<u>272,890</u>
Deacons Fund - For Families In Need	<u>217,923</u>	<u>160,449</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,190,905</u>	<u>\$ 3,086,624</u>

NOTE 12 - RENTAL INCOME

Effective November 1, 2018, the Church entered into a lease agreement with New Hope Church in Stamford, CT. The agreement allowed New Hope Church to rent the Church building owned by Black Rock Church and Subsidiary located at 455 Old Long Ridge Road. This lease agreement ended in October 2019 and was not renewed. Monthly rental income under the agreement was to be \$2,900. During the years ended May 31, 2020 and 2019, the Church utilized designated funds (BRC – LR seed) for the Stamford facility in lieu of charging New Hope Church rental fees. The remaining balance in that designated account will be utilized to assist New Hope Church move to a new location.

BLACK ROCK CHURCH AND SUBSIDIARY  
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NOTE 13 - LEASE COMMITMENTS

The Church entered into a ten-year lease agreement for the use of designated parking spaces at 3617 Black Rock Turnpike, expiring on August 3, 2028. The lease agreement required a base rent payment of \$170,000 to be prepaid in July of 2018 and an additional payment of \$80,000, payable in \$10,000 installments due on August 1 of each subsequent year through 2026. The Church also rents additional parking spaces in other locations on a month to month basis, with monthly rental expense of approximately \$1,000.

The Church leases office equipment under noncancelable operating leases that expire through May 2022. Rent expense for office equipment was \$57,280 and \$61,798 during the years ended May 31, 2020 and 2019, respectively, and is recorded in offices expenses in the accompanying consolidated statements of functional expenses.

Minimum future rental payments under the non-cancelable operating leases are:

Year Ending May 31,	
2021	\$ 53,530
2022	49,222
2023	12,476
2024	12,476
2025	11,556
Thereafter	<u>20,000</u>
	<u>\$ 159,260</u>

NOTE 14 - TRUST BENEFICIARY

The Church is the income beneficiary of a trust established in 1933. The initial contribution of \$32,000 was invested in a perpetual trust and income is distributed to the Church on a quarterly basis. Since the Church has an irrevocable right to the income from the trust assets, the Church is required to reflect its beneficial interest in the net assets of the trust in the consolidated financial statements. Legally, the trust and the Church are separate entities and the Church can only receive distributions of the net income of the trust when approved by the trustee of the assets. The Organization's beneficial interest in the net assets of the trust of \$273,232 and \$272,891 as of May 31, 2020 and 2019, respectively, has been reflected on the accompanying consolidated statements of financial position. The Organization's change in the beneficial interest in the net assets of the trust of \$11,589 and \$(2,489) during the years ended May 31, 2020 and 2019, respectively, is reflected on the accompanying consolidated statements of activities.

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NOTE 14 - TRUST BENEFICIARY – (CONTINUED)

The trust's summarized financial data is as follows:

	May 31,	
	<u>2020</u>	<u>2019</u>
Total Assets	\$ 273,232	\$ 272,891
Total Net Assets	<u>\$ 273,232</u>	<u>\$ 272,891</u>
Total Investment Income (Loss)	<u>\$ 11,589</u>	<u>\$ (2,489)</u>
Distributions to Black Rock Church	<u>\$ 11,248</u>	<u>\$ 11,350</u>

NOTE 15 - FEDERAL PAYCHECK PROTECTION PROGRAM

In April 2020, the Church received loan proceeds in the amount of \$491,900 under the Federal Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Acts (CARES ACT), provides for loans to qualifying entities for amounts up to 2.5 times average monthly payroll expenses of the qualifying entity. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. Unpaid interest, at an annual rate of 1%, and principal on the unforgiven portion of the PPP loan is due and payable in full two years from the initial disbursement date. The Church intends to use the proceeds for purposes consistent with the PPP guidelines, and based on the stated loan terms the loan balance has been classified as noncurrent on the consolidated statement of financial position. The Church has elected to record proceeds from the loan as a liability until either (1) the loan is partly or wholly forgiven and the Church has been legally released or (2) the Church pays off the loan.

Aggregate principal payments on the Federal Paycheck Protection Program loan are:

<u>Year Ending May 31,</u>	
2021	\$ -
2022	<u>491,900</u>
Total	<u>\$ 491,900</u>

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NOTE 16 - CONTRIBUTIONS PAYABLE

In September 2019, the Church signed a gift agreement with the Bridgeport Rescue Mission. The total amount of the gift of \$100,000 is to be paid to the Bridgeport Rescue Mission in three annual installments. The first installment of \$50,000 was paid in January 2020. The two remaining installments of \$25,000 each will be paid in January 2021 and 2022. Promises to give in more than one year were discounted at 4.85% per year. Contributions payable as of May 31, 2020 are as follows:

	May 31, <u>2020</u>
Contributions due in less than one year	\$ 25,000
Contributions due within one to five years	<u>25,000</u>
	50,000
Less: discount to net present value	<u>(2,259)</u>
	<u>\$ 47,741</u>

Contributions payable, at net present value, are recorded in grants payable the consolidated statements of financial position and in missions expense on the consolidated statements of functional expense. There were no contributions payable for the year ended May 31, 2019.

NOTE 17 - SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States and throughout the world continues to disrupt supply chains and affect production and sales across a range of industries. The extent of the impact of COVID-19 on the Church's financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on the Church's funding and programs, all of which are uncertain and cannot be predicted.

In March 2020, the Church transferred most of their ministry to online platforms, and through August 2020 almost all church services were held online. Due to this shift in worship, the Church has maintained approximately 75% of their congregation that was attending in person services prior to the COVID-19 outbreak. In addition to services being held online, the Church's kids, youth, and adult ministries have also moved to online platforms. The Church expects that approximately 85% of their ministries will continue utilizing online platforms through the fall and winter of fiscal year 2021.

Donations to the Church's various funds have been impacted. Through mid-September, the Church's general fund giving is down approximately 20% and their missions giving is down approximately 25%. While the Church is seeing a decrease in giving in these funds, there has been an increase to the donations made to the Deacon's fund as the congregation is aware of the needs of various members of the Church. The Church's expenses have also decreased between \$25,000 and \$50,000 per month due to fewer hours being worked by staff and not having to spend funds on departmental ministries that are not taking place. The Church expects this trend will continue until they are able to start having Sunday services and ministries in person again.

In September of 2020, the bank prepaid its mortgage loan by an amount of \$1,005,859.

The Church did not have any additional subsequent events through October 1, 2020 which is the date the financial statements were available to be issued.