

**BLACK ROCK CHURCH AND
SUBSIDIARY
CONSOLIDATED FINANCIAL
STATEMENTS
YEARS ENDED
MAY 31, 2022 AND 2021**

BLACK ROCK CHURCH AND SUBSIDIARY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Elders of
Black Rock Church and Subsidiary
Fairfield, Connecticut

Opinion

We have audited the accompanying consolidated financial statements of Black Rock Church and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of May 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Black Rock Church and Subsidiary as of May 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Black Rock Church and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Black Rock Church and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Black Rock Church and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Black Rock Church and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Beers, Hamerman, Cohen & Burger, P.C.

New Haven, Connecticut
October 26, 2022

BLACK ROCK CHURCH AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	May 31,	
	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,634,519	\$ 2,571,195
Investments	586,426	261,015
Contributions receivable	85,241	45,527
Prepaid rent	106,250	121,250
Prepaid expenses	61,201	69,786
Total Current Assets	<u>2,473,637</u>	<u>3,068,773</u>
Non-Current Assets		
Beneficial interest in trust	284,590	318,773
Property and equipment - net	27,245,913	28,043,085
Total Non-Current Assets	<u>27,530,503</u>	<u>28,361,858</u>
TOTAL ASSETS	<u>\$ 30,004,140</u>	<u>\$ 31,430,631</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 179,330	\$ 192,198
Deferred revenue	154,449	127,380
Federal Paycheck Protection Program loan	-	491,952
Mortgage loan - current portion	52,166	86,105
Total Current Liabilities	<u>385,945</u>	<u>897,635</u>
Non-Current Liabilities		
Mortgage loan - long-term portion	173,903	1,071,476
Total Non-Current Liabilities	<u>173,903</u>	<u>1,071,476</u>
Total Liabilities	<u>559,848</u>	<u>1,969,111</u>
Net Assets		
Without donor restrictions		
Undesignated	28,093,617	28,241,958
Board designated	91,594	114,835
Total Without Donor Restrictions	28,185,211	28,356,793
With donor restrictions	1,259,081	1,104,727
Total Net Assets	<u>29,444,292</u>	<u>29,461,520</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,004,140</u>	<u>\$ 31,430,631</u>

See accompanying notes to the consolidated financial statements.

BLACK ROCK CHURCH AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year Ended May 31, 2022			Year Ended May 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Offerings	\$ 3,511,181	\$ 2,568,729	\$ 6,079,910	\$ 3,090,679	\$ 2,197,163	\$ 5,287,842
Summer camp registration fees	233,255	-	233,255	-	-	-
Interest	12,657	1,268	13,925	8,650	564	9,214
Miscellaneous income	101,858	-	101,858	69,085	-	69,085
Café sales	2,684	-	2,684	110	-	110
Ministry events and projects	227,601	-	227,601	380,914	-	380,914
Change in beneficial interest in trust	-	(23,261)	(23,261)	-	54,156	54,156
Gain on disposal of property and equipment	-	-	-	1,665	-	1,665
Forgiveness of Federal Paycheck Protection Program loan	491,952	-	491,952	491,900	-	491,900
Realized and unrealized (losses) gain on investments	(75,117)	(5,519)	(80,636)	23,256	2,497	25,753
Total Revenue and Support Before Net Assets Released From Restrictions	4,506,071	2,541,217	7,047,288	4,066,259	2,254,380	6,320,639
Net Assets Released From Restrictions	2,386,863	(2,386,863)	-	2,340,558	(2,340,558)	-
Total Revenue and Support	6,892,934	154,354	7,047,288	6,406,817	(86,178)	6,320,639
Operating Expenses						
Program services	5,829,452	-	5,829,452	5,279,253	-	5,279,253
Supporting services	1,185,766	-	1,185,766	1,083,921	-	1,083,921
Fundraising	49,298	-	49,298	36,283	-	36,283
Total Operating Expenses	7,064,516	-	7,064,516	6,399,457	-	6,399,457
Change in Net Assets	(171,582)	154,354	(17,228)	7,360	(86,178)	(78,818)
Net Assets, Beginning of Year	28,356,793	1,104,727	29,461,520	28,349,433	1,190,905	29,540,338
Net Assets, End of Year	\$ 28,185,211	\$ 1,259,081	\$ 29,444,292	\$ 28,356,793	\$ 1,104,727	\$ 29,461,520

See accompanying notes to the consolidated financial statements.

BLACK ROCK CHURCH AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended May 31, 2022				Year Ended May 31, 2021			
	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, benefits and payroll taxes	\$ 2,133,960	\$ 574,528	\$ 27,358	\$ 2,735,846	\$ 2,018,524	\$ 482,800	\$ 22,462	\$ 2,523,786
Missions	1,266,883	-	-	1,266,883	1,051,867	-	-	1,051,867
Depreciation	745,402	200,685	9,557	955,644	804,256	192,366	8,950	1,005,572
Employee health insurance	280,928	75,634	3,602	360,164	276,803	66,207	3,080	346,090
Ministry projects	321,127	-	-	321,127	277,157	-	-	277,157
Administrative	-	194,185	-	194,185	-	208,928	-	208,928
Church building maintenance	196,290	-	-	196,290	191,093	-	-	191,093
Utilities	128,004	34,463	1,641	164,108	111,234	26,605	1,238	139,077
Ministry expenses - Deacon	122,158	-	-	122,158	117,076	-	-	117,076
Interest	50,567	-	-	50,567	110,906	-	-	110,906
Office	-	106,271	-	106,271	-	107,015	-	107,015
Miscellaneous	167,271	-	-	167,271	87,751	-	-	87,751
Insurance	40,482	-	-	40,482	53,587	-	-	53,587
Music ministries	70,662	-	-	70,662	42,590	-	-	42,590
Youth ministries	54,013	-	-	54,013	25,678	-	-	25,678
Adult ministries	21,318	-	-	21,318	17,951	-	-	17,951
Advertising	22,432	-	-	22,432	17,444	-	-	17,444
Children's ministries	39,962	-	-	39,962	15,398	-	-	15,398
Other ministries	19,286	-	-	19,286	15,230	-	-	15,230
Automobile	18,837	-	-	18,837	13,467	-	-	13,467
Spiritual development	20,103	-	-	20,103	12,583	-	-	12,583
Sanctuary ministries	24,774	-	-	24,774	11,209	-	-	11,209
Van maintenance	9,543	-	-	9,543	4,439	-	-	4,439
Summer camp supplies	75,450	-	-	75,450	3,010	-	-	3,010
Café	-	-	7,140	7,140	-	-	553	553
	<u>\$ 5,829,452</u>	<u>\$ 1,185,766</u>	<u>\$ 49,298</u>	<u>\$ 7,064,516</u>	<u>\$ 5,279,253</u>	<u>\$ 1,083,921</u>	<u>\$ 36,283</u>	<u>\$ 6,399,457</u>

See accompanying notes to the consolidated financial statements.

BLACK ROCK CHURCH AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended May 31,	
	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (17,228)	\$ (78,818)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Beneficial interest in net assets of trust	34,183	(45,541)
Realized and unrealized loss (gain) on investments	80,636	(25,753)
Amortization of financing costs	3,588	3,788
Depreciation	955,644	1,005,571
Gain on disposal of equipment	-	(1,665)
Forgiveness of Federal Paycheck Protection Program loan	(491,952)	(491,900)
Changes in operating assets and liabilities:		
Contributions receivable	(39,714)	218,165
Contributions restricted for long-term purposes	-	(222,664)
Prepaid rent	15,000	15,000
Prepaid expenses	8,585	(36,271)
Accrued expenses	(12,868)	(44,276)
Deferred revenue	27,069	127,380
Grants payable	-	(47,741)
Net Cash Provided by Operating Activities	<u>562,943</u>	<u>375,275</u>
Cash Flows from Investing Activities		
Purchases of investments	(416,303)	(160,563)
Proceeds from sale of investments	10,256	81,226
Proceeds from sale of property and equipment	-	2,500
Purchases of property and equipment	(158,472)	(233,511)
Net Cash Used by Investing Activities	<u>(564,519)</u>	<u>(310,348)</u>
Cash Flows from Financing Activities		
Contributions received restricted for property and equipment	-	222,664
Proceeds from Federal Paycheck Protection Program	-	491,952
Repayments of mortgage loan	(935,100)	(2,009,814)
Net Cash Used by Financing Activities	<u>(935,100)</u>	<u>(1,295,198)</u>
Change in Cash and Cash Equivalents	(936,676)	(1,230,271)
Cash and Cash Equivalents, Beginning of Year	<u>2,571,195</u>	<u>3,801,466</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,634,519</u>	<u>\$ 2,571,195</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 49,085</u>	<u>\$ 73,892</u>

See accompanying notes to the consolidated financial statements.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

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.

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.

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.

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 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.

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.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

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

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 May 31,	
	<u>2022</u>	<u>2021</u>
Summer camp registration fees	\$ 233,255	\$ -
Café sales	<u>2,684</u>	<u>110</u>
Total	<u>\$ 235,939</u>	<u>\$ 110</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. The summer camp was not held during the year ended May 31, 2021 as a result of the pandemic.

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

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.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

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

Advertising

Advertising costs are expensed as incurred. Advertising expenses for the years ended May 31, 2022 and 2021 were \$22,432 and \$17,444, respectively.

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.

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>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,634,519	\$ 2,571,195
Investments	586,426	261,015
Contributions receivable	85,241	45,527
	<u>2,306,186</u>	<u>2,877,737</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,259,081	1,104,727
Board designated net assets	91,594	114,835
	<u>1,350,675</u>	<u>1,219,562</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 955,511</u>	<u>\$ 1,658,175</u>

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 3 - 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.

The following table sets forth by level, within the fair value hierarchy, the Church's investments at fair value:

<u>Description</u>	<u>May 31, 2022</u>	<u>Level 1</u>
Exchange traded products	\$ 233,352	\$ 233,352
Money market funds	6,477	6,477
Total assets in the fair value hierarchy	239,829	<u>\$ 239,829</u>
Investments measured at net asset value*	346,597	
	<u>\$ 586,426</u>	
 <u>Description</u>	 <u>May 31, 2021</u>	 <u>Level 1</u>
Exchange traded products	\$ 255,594	\$ 255,594
Money market funds	5,421	5,421
	<u>\$ 261,015</u>	<u>\$ 261,015</u>

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 3 - FAIR VALUE MEASUREMENTS – (CONTINUED)

*In accordance with Financial Accounting Standards Board (FASB) Subtopic 820-10, Fair Value Measurements and Disclosures, certain investments that are measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit the reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.

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

Investments Measured Using Net Asset Value Per Share Practical Expedient

The following table summarized the investments for which fair value is measured using the net asset value per share expedient as of May 31, 2022:

<u>Investment Category</u>	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Common Trust Fund	<u>\$ 346,597</u>	None	Daily	Daily

The investments measured at net asset value consist of a stock fund and a bond fund. The stock fund invests in a diversified portfolio of domestic and international equity securities with the objective of long-term growth of principal value and dividend income. The bond fund invests in a diversified portfolio of U.S. government, government agency, mortgage-backed, asset-backed, investment grade corporate, real estate investments, mutual funds, and other investment grade fixed income securities with an objective of generating interest income. Investments in these funds are valued by the Fund's custodian at market prices obtained from recognized automated pricing services, records of any exchange, standard financial periodicals, or any newspaper of general circulation. In instance where there are no readily obtainable fair values from any of these sources, investments are valued on the basis of estimated values obtained from bankers, brokers, dealers, or other qualified appraisers.

NOTE 4 - CONCENTRATION OF CREDIT RISK

As of May 31, 2022 and 2021, the Church held cash of \$1,453,667 and \$1,996,458, 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 5 - 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 \$45,210 and \$38,043 for the years ended May 31, 2022 and 2021, respectively, and is recorded in salaries, benefits and payroll taxes on the accompanying consolidated statements of functional expenses.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 6 - MORTGAGE PAYABLE

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. In November of 2019, the loan converted to a term loan in an amount of \$3,246,734. 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 was only responsible for interest payments, which were calculated based on the outstanding balance of the loan. Beginning with the 25th month, principal and interest (payable in arrears) are payable in equal monthly installments in an amount that will fully amortize the loan over the remaining 23 years of the loan term.

The loan is secured by a first mortgage or Deed of Trust on all the land and improvements owned by the Church and a first lien on all personal property owned by the Church, 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 <u>May 31,</u>	
2023	\$ 52,166
2024	54,753
2025	57,468
2026	60,318
2027	63,309
Thereafter	<u>14,007</u>
	302,021
Less: unamortized finance costs	<u>75,952</u>
Total Mortgage Payable	<u><u>\$ 226,069</u></u>

The Church prepaid its mortgage loan by \$848,995 and \$968,000 for the years ended May 31, 2022 and 2021, respectively.

Interest expense was \$50,567 and \$110,906 for the years ended May 31, 2022 and 2021, respectively.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	May 31,	
	<u>2022</u>	<u>2021</u>
Buildings and building improvements	\$ 27,390,655	\$ 27,331,300
Land	3,634,710	3,634,710
Computers and equipment	1,142,575	1,093,614
Furniture and fixtures	1,388,195	1,368,710
Automobiles and trucks	104,479	104,479
Construction in progress	<u>30,671</u>	<u>-</u>
	33,691,285	33,532,813
Accumulated depreciation	<u>(6,445,372)</u>	<u>(5,489,728)</u>
	<u>\$ 27,245,913</u>	<u>\$ 28,043,085</u>

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 8 - BOARD DESIGNATED FUNDS

Funds designated by the Church Elders were as follows:

	May 31,	
	<u>2022</u>	<u>2021</u>
Marriage ministry	\$ 22,012	\$ 15,753
BRC-LR seed	16,050	36,500
Matthew 25	10,206	11,716
Junior high events	5,457	3,015
Women's ministry	4,658	2,785
Men's ministry	4,651	9,205
CSB stockade	3,908	8,037
CARS ministry	3,710	3,710
Sunday school	3,519	2,179
Sanctuary apparel	3,164	1,113
Special events	2,814	1,314
Care ministry	2,377	2,377
Special projects	2,107	2,107
Soul care	1,274	-
Chancel choir	1,163	1,077
Dads of the Rock	1,084	1,084
CSB leaders training	876	2,979
Moms of the Rock	786	859
Vacation bible school	703	683
Awana	544	544
Sews and sews	290	290
Spiritual development	132	-
Community groups	109	109
Seniors of the Rock	-	3,400
Revive	-	1,077
Senior high events	-	2,922
	<u>\$ 91,594</u>	<u>\$ 114,835</u>

BLACK ROCK CHURCH AND SUBSIDIARY
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NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

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

	May 31, <u>2022</u>	<u>2021</u>
Ministry Fund		
Community outreach	\$ 43,249	\$ 42,334
Hoder Memorial Fund	24,379	-
Single moms of the rock	12,013	-
Diversity initiatives	10,000	10,000
Choir and orchestra supplies	7,078	11,602
Stamford interns renovation	6,816	-
Mortgage payments	-	9,883
Total Local Ministry Fund	<u>103,535</u>	<u>73,819</u>
Missions Fund		
Missions - general	328,202	302,417
Church short-term missions trips	10,963	21,322
College loans	55,591	60,452
Royal family kid's camp	-	36,258
Total Missions Fund	<u>394,756</u>	<u>420,449</u>
Building Fund - For Expenses Related to 3865 Black Rock Turnpike	191,375	44,653
Beneficial Interest in Trust	284,590	318,773
Deacons Fund - For Families In Need	<u>284,825</u>	<u>247,033</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,259,081</u>	<u>\$ 1,104,727</u>

BLACK ROCK CHURCH AND SUBSIDIARY
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NOTE 10 - 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 April 2027. Rent expense for office equipment was \$56,574 and \$59,855 during the years ended May 31, 2022 and 2021, 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 <u>May 31,</u>	
2023	\$ 34,039
2024	34,039
2025	33,119
2026	31,563
2027	247,191
Thereafter	<u>11,667</u>
	<u>\$ 391,618</u>

NOTE 11 – RENTAL INCOME

The Church leases several properties to employees under short-term, informal agreements. The current lease agreements are through May 31, 2022. Rental income under these agreements was \$69,395 and \$29,487 for the years ended May 31, 2022 and 2021, respectively. These amounts have been reported in miscellaneous income on the consolidated statements of activities.

NOTE 12 - 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 \$284,590 and \$318,773 as of May 31, 2022 and 2021, 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 \$(23,261) and \$54,156 during the years ended May 31, 2022 and 2021, respectively, is reflected on the accompanying consolidated statements of activities.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 - TRUST BENEFICIARY – (CONTINUED)

The trust's summarized financial data is as follows:

	May 31, <u>2022</u>	<u>2021</u>
Total Assets and Net Assets	\$ 284,590	\$ 318,773
Total Investment Income	\$ (23,261)	\$ 54,156
Distributions to Black Rock Church	\$ 10,922	\$ 8,615

NOTE 13 - FEDERAL PAYCHECK PROTECTION PROGRAM

The Church received \$491,900 in April 2020 and \$491,952 in January 2021 from a bank under the Federal Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Acts (CARES ACT). The loans were to be forgiven to the extent loan proceeds were used for eligible expenses such as payroll and other expenses described in the CARES Act. The Church used the loan proceeds for qualifying expenses and the \$491,900 was forgiven during the year ended May 31, 2021 and the \$491,952 was forgiven during the year ended May 31, 2022. The amounts forgiven are reported in the consolidated statements of activities.

The \$491,952 received in January 2021 was recorded as a liability in the May 31, 2021 consolidated statement of financial position.

NOTE 14 - SUBSEQUENT EVENTS

The Church did not have any subsequent events through October 26, 2022, which is the date the financial statements were available to be issued.