

**BLACK ROCK CHURCH AND
SUBSIDIARY
CONSOLIDATED FINANCIAL
STATEMENTS
YEARS ENDED
MAY 31, 2023 AND 2022**

BLACK ROCK CHURCH AND SUBSIDIARY

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Beers, Hamerman, Cohen & Burger, PC
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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 Church), which comprise the consolidated statements of financial position as of May 31, 2023 and 2022, 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, 2023 and 2022, 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.

New Accounting Pronouncement

As described in Note 1 to the financial statements, the Church changed its method of accounting for leases in 2022 as required by provisions of FASB Accounting Standards Update 2016-02, Leases. Our opinion is not modified with respect to that matter.

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.

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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
February 28, 2024

BLACK ROCK CHURCH AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	May 31,	
	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,832,140	\$ 1,634,519
Investments	567,271	586,426
Promises to give	32,892	85,241
Prepaid expenses	<u>63,930</u>	<u>61,201</u>
Total Current Assets	<u>2,496,233</u>	<u>2,367,387</u>
Non-Current Assets		
Beneficial interest in trust	265,555	284,590
Property and equipment - net	26,556,867	27,245,913
Right of use asset	<u>223,497</u>	<u>281,045</u>
Total Non-Current Assets	<u>27,045,919</u>	<u>27,811,548</u>
TOTAL ASSETS	<u><u>\$ 29,542,152</u></u>	<u><u>\$ 30,178,935</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 170,722	\$ 179,330
Deferred revenue	171,241	154,449
Lease liability - current portion	41,312	40,590
Mortgage loan - current portion	<u>-</u>	<u>52,166</u>
Total Current Liabilities	<u>383,275</u>	<u>426,535</u>
Non-Current Liabilities		
Lease liability - long-term portion	93,903	134,205
Mortgage loan - long-term portion	<u>-</u>	<u>173,903</u>
Total Non-Current Liabilities	<u>93,903</u>	<u>308,108</u>
Total Liabilities	<u>477,178</u>	<u>734,643</u>
Net Assets		
Without donor restrictions		
Undesignated	27,666,307	28,093,617
Board designated	<u>250,033</u>	<u>91,594</u>
Total Without Donor Restrictions	27,916,340	28,185,211
With donor restrictions	<u>1,148,634</u>	<u>1,259,081</u>
Total Net Assets	<u>29,064,974</u>	<u>29,444,292</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 29,542,152</u></u>	<u><u>\$ 30,178,935</u></u>

See accompanying notes to the consolidated financial statements.

BLACK ROCK CHURCH AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year Ended May 31, 2023			Year Ended May 31, 2022		
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenue and Support						
Offerings	\$ 4,338,522	\$ 1,322,198	\$ 5,660,720	\$ 3,553,253	\$ 2,526,657	\$ 6,079,910
Summer camp registration fees	247,045	-	247,045	233,255	-	233,255
Interest	19,813	1,176	20,989	12,657	1,268	13,925
Miscellaneous income	109,894	-	109,894	101,858	-	101,858
Café sales	10,978	-	10,978	2,684	-	2,684
Ministry events and projects	214,639	603,315	817,954	185,529	42,072	227,601
Change in beneficial interest in trust	-	(5,364)	(5,364)	-	(23,261)	(23,261)
Forgiveness of Federal Paycheck Protection Program loan	-	-	-	491,952	-	491,952
Realized and unrealized losses on investments	(8,607)	(1,332)	(9,939)	(75,117)	(5,519)	(80,636)
Total Revenue and Support Before Net Assets Released From Restrictions	4,932,284	1,919,993	6,852,277	4,506,071	2,541,217	7,047,288
Net Assets Released From Restrictions	2,030,440	(2,030,440)	-	2,386,863	(2,386,863)	-
Total Revenue and Support	6,962,724	(110,447)	6,852,277	6,892,934	154,354	7,047,288
Operating Expenses						
Program services	5,803,718	-	5,803,718	5,829,452	-	5,829,452
Supporting services	1,351,772	-	1,351,772	1,185,766	-	1,185,766
Fundraising	76,105	-	76,105	49,298	-	49,298
Total Operating Expenses	7,231,595	-	7,231,595	7,064,516	-	7,064,516
Change in Net Assets	(268,871)	(110,447)	(379,318)	(171,582)	154,354	(17,228)
Net Assets, Beginning of Year	28,185,211	1,259,081	29,444,292	28,356,793	1,104,727	29,461,520
Net Assets, End of Year	\$ 27,916,340	\$ 1,148,634	\$ 29,064,974	\$28,185,211	\$ 1,259,081	\$ 29,444,292

See accompanying notes to the consolidated financial statements.

BLACK ROCK CHURCH AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended May 31, 2023				Year Ended May 31, 2022			
	Program Services	Supporting Services	Fundraising	Total	Program Services	Supporting Services	Fundraising	Total
Salaries, benefits and payroll taxes	\$ 2,194,556	\$ 702,258	\$ 29,261	\$ 2,926,075	\$ 2,133,960	\$ 574,528	\$ 27,358	\$ 2,735,846
Missions	957,916	-	-	957,916	1,266,883	-	-	1,266,883
Depreciation	690,787	221,052	9,212	921,051	745,402	200,685	9,557	955,644
Ministry projects	413,413	-	-	413,413	321,127	-	-	321,127
Employee health insurance	308,619	98,758	4,115	411,492	280,928	75,634	3,602	360,164
Administrative	-	210,036	-	210,036	-	194,185	-	194,185
Church building maintenance	198,272	-	-	198,272	196,290	-	-	196,290
Utilities	118,376	37,880	1,578	157,834	128,004	34,463	1,641	164,108
Miscellaneous	130,583	-	-	130,583	167,271	-	-	167,271
Ministry expenses - Deacon	129,402	-	-	129,402	122,158	-	-	122,158
Summer camp supplies	88,635	-	-	88,635	75,450	-	-	75,450
Community engagement	86,642	-	-	86,642	-	-	-	-
Youth ministries	82,276	-	-	82,276	54,013	-	-	54,013
Office	486	81,788	-	82,274	-	106,271	-	106,271
Interest	81,835	-	-	81,835	50,567	-	-	50,567
Music ministries	68,006	-	-	68,006	70,662	-	-	70,662
Children's ministries	48,826	-	-	48,826	39,962	-	-	39,962
Insurance	47,762	-	-	47,762	40,482	-	-	40,482
Café costs of sales	-	-	31,939	31,939	-	-	7,140	7,140
Spiritual development	29,455	-	-	29,455	20,103	-	-	20,103
Adult ministries	26,565	-	-	26,565	21,318	-	-	21,318
Automobile	24,386	-	-	24,386	18,837	-	-	18,837
Sanctuary ministries	23,399	-	-	23,399	24,774	-	-	24,774
Other ministries	22,780	-	-	22,780	19,286	-	-	19,286
Van maintenance	15,402	-	-	15,402	9,543	-	-	9,543
Advertising	15,339	-	-	15,339	22,432	-	-	22,432
	<u>\$ 5,803,718</u>	<u>\$ 1,351,772</u>	<u>\$ 76,105</u>	<u>\$ 7,231,595</u>	<u>\$ 5,829,452</u>	<u>\$ 1,185,766</u>	<u>\$ 49,298</u>	<u>\$ 7,064,516</u>

See accompanying notes to the consolidated financial statements.

BLACK ROCK CHURCH AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended	
	May 31,	
	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (379,318)	\$ (17,228)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Beneficial interest in net assets of trust	19,035	34,183
Realized and unrealized loss on investments	9,939	80,636
Bad debt expense	-	-
Amortization of financing costs	75,951	3,588
Amortization of right of use asset	57,547	38,500
Depreciation	921,051	955,644
Forgiveness of Federal Paycheck Protection Program loan	-	(491,952)
Changes in operating assets and liabilities:		
Contributions receivable	52,349	(39,714)
Prepaid expenses	(2,729)	8,585
Accrued expenses	(8,606)	(12,868)
Deferred revenue	16,792	27,069
Lease liability	<u>(39,580)</u>	<u>(23,500)</u>
Net Cash Provided by Operating Activities	<u>722,431</u>	<u>562,943</u>
Cash Flows from Investing Activities		
Purchases of investments	(3,232)	(416,303)
Proceeds from sale of investments	12,448	10,256
Purchases of property and equipment	<u>(232,005)</u>	<u>(158,472)</u>
Net Cash Used by Investing Activities	<u>(222,789)</u>	<u>(564,519)</u>
Cash Flows from Financing Activities		
Repayments of mortgage loan	<u>(302,021)</u>	<u>(935,100)</u>
Net Cash Used by Financing Activities	<u>(302,021)</u>	<u>(935,100)</u>
Change in Cash and Cash Equivalents	197,621	(936,676)
Cash and Cash Equivalents, Beginning of Year	<u>1,634,519</u>	<u>2,571,195</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,832,140</u>	<u>\$ 1,634,519</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 6,607</u>	<u>\$ 49,085</u>
Noncash activities:		
Lease obligations arising from right of use assets from leases	<u>\$ -</u>	<u>\$ 100,847</u>

See accompanying notes to the consolidated financial statements.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Black Rock Church and Subsidiary (Church) is a non-profit Church 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. BRCC Holdings, LLC was established to hold certain properties owned by the Church.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), to increase transparency and comparability among Churches by requiring the recognition of right-of-use (ROU) assets and lease liabilities in the consolidated statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Church adopted this standard effective June 1, 2022, and recognized and measured leases existing at, or entered into, after June 1, 2021, using a modified retrospective approach, with certain practical expedients available.

The Church elected the available practical expedients to account for existing operating leases as operating leases under the new guidance, without assessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

On June 1, 2021, the Church recognized a lease liability of \$96,243, which represents the present value of the remaining operating lease payments of \$102,734 discounted using the applicable risk-free rate, and a right of use asset of \$213,995 which represents the operating lease liability of \$102,734 and the amount straight-line rent differs from cash expenditures from the beginning of the lease term.

The Church has determined that adoption of Topic ASC 842 had a material impact on the consolidated statement of financial position but did not have a material impact on the consolidated statement of activities nor the consolidated statement of cash flows. The most significant impact was the recognition of the right of use assets and lease liabilities for operating leases.

Estimates

The Church 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.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022

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

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.

Net Assets Without Donor Restrictions:

Net assets that include expendable resources that are used to carry out the Church's operations and are not subject to donor-imposed stipulations. These assets represent resources that may be expended at the discretion of the Board of Elders.

Net Assets with Donor Restrictions:

Net assets subject to donor-imposed restrictions that will be met either by the actions of the Church or through the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from 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, 2023 AND 2022

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

Promises to Give

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>2023</u>	<u>2022</u>
Summer camp registration fees	\$ 247,045	\$ 233,255
Café sales	<u>10,979</u>	<u>2,684</u>
Total	<u>\$ 258,024</u>	<u>\$ 235,939</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.

Grants Payable

The Church awards grants and contributions to other organizations for purposes of supporting specific program initiatives. 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.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022

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

Cash and Cash Equivalents

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

Leases

The Church determines if an arrangement is a lease at inception. The Church currently has only operating leases, which are included in operating lease ROU assets and operating lease liabilities in the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Church's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Church's leases do not provide an implicit rate, the Church uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Church's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Church will exercise the option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Church's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Advertising

Advertising costs are expensed as incurred. Advertising expenses for the years ended May 31, 2023 and 2022 were \$15,339 and \$22,432, respectively.

Reclassifications

Prior period financial statement amounts have been reclassified to conform to current period presentation.

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, 2023 AND 2022

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>2023</u>	<u>2022</u>
Financial Assets at Year-End:		
Cash and cash equivalents	\$ 1,832,140	\$ 1,634,519
Investments	567,271	586,426
Contributions receivable	32,892	85,241
	<u>2,432,303</u>	<u>2,306,186</u>
Less Amounts Not Available to be Used within One Year:		
Net assets with donor restrictions	1,148,634	1,259,081
Board designated net assets	250,033	91,594
	<u>1,398,667</u>	<u>1,350,675</u>
Financial Assets Available to Meet General Expenditures over the Next 12 Months	<u>\$ 1,033,636</u>	<u>\$ 955,511</u>

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 unadjusted 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.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022

NOTE 3 - FAIR VALUE MEASUREMENTS – (CONTINUED)

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, 2023</u>	<u>Level 1</u>
Exchange traded products	\$ 221,695	\$ 221,695
Money market funds	<u>5,162</u>	<u>5,162</u>
Total assets in the fair value hierarchy	226,857	<u>\$ 226,857</u>
Investments measured at net asset value*	<u>340,414</u>	
	<u>\$ 567,271</u>	
<u>Description</u>	<u>May 31, 2022</u>	<u>Level 1</u>
Exchange traded products	\$ 233,352	\$ 233,352
Money market funds	<u>6,477</u>	<u>6,477</u>
Total assets in the fair value hierarchy	239,829	<u>\$ 239,829</u>
Investments measured at net asset value*	<u>346,597</u>	
	<u>\$ 586,426</u>	

*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, is Level 1. These investments are valued at quoted market prices for identical instruments traded in active markets.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022

NOTE 3 - FAIR VALUE MEASUREMENTS – (CONTINUED)

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:

<u>Investment Category</u>	<u>Fair Value</u> <u>as of May 31,</u>		<u>Unfunded</u> <u>Commitment</u>	<u>Redemption</u> <u>Frequency</u>	<u>Redemption Notice</u> <u>Period</u>
	<u>2023</u>	<u>2022</u>			
Common Trust Fund	<u>\$ 340,414</u>	<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 instances 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, 2023 and 2022, the Church held cash of \$101,219 and \$1,453,667, 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 matches contributions of participating employees at the rate of 50% up to 6% of their total earnings. The Church’s contributions amounted to \$48,459 and \$45,210 for the years ended May 31, 2023 and 2022, respectively, and is recorded in salaries, benefits and payroll taxes on the accompanying consolidated statements of functional expenses.

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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 incurred interest at a rate of 4.85% per year, which was to 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) were payable in equal monthly installments in an amount that was to fully amortize the loan over the remaining 23 years of the loan term.

The loan was 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 had to comply with certain financial covenants.

The Church prepaid its mortgage loan by \$848,995 for the year ended May 31, 2022. The balance of the loan as of May 31, 2022, was \$302,021 with unamortized finance costs of \$75,952.

The Church paid off the remaining balance of the loan in November 2022.

Interest expense was \$7,678 and \$50,567 for the years ended May 31, 2023 and 2022, respectively. The remaining unamortized finance costs of \$74,157 were expensed in the current year and are included on the consolidated statements of functional expenses as interest expense.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	May 31,	
	<u>2023</u>	<u>2022</u>
Buildings and building improvements	\$ 27,470,599	\$ 27,390,655
Land	3,634,710	3,634,710
Computers and equipment	1,170,257	1,142,575
Furniture and fixtures	1,416,547	1,388,195
Automobiles and trucks	95,579	104,479
Construction in progress	<u>126,698</u>	<u>30,671</u>
	33,914,390	33,691,285
Accumulated depreciation	<u>(7,357,523)</u>	<u>(6,445,372)</u>
	<u>\$ 26,556,867</u>	<u>\$ 27,245,913</u>

BLACK ROCK CHURCH AND SUBSIDIARY
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NOTE 8 - BOARD DESIGNATED FUNDS

Funds designated by the Church Elders were as follows:

	May 31,	
	<u>2023</u>	<u>2022</u>
Stamford Interns Renovation	\$ 155,900	\$ -
Digital Discipleship	19,500	-
Marriage ministry	15,332	22,012
CARS ministry	12,939	3,710
Sunday school	10,474	3,519
Men's ministry	6,107	4,651
Community engagement	5,318	-
Elevate	4,784	-
Special events	3,814	2,814
Senior high events	3,719	-
Care ministry	2,397	2,377
Special projects	2,107	2,107
Soul care	1,274	1,274
Seniors of the Rock	1,274	-
Chancel choir	1,240	1,163
Dads of the Rock	1,084	1,084
Spiritual development	742	132
Vacation bible school	703	703
Awana	544	544
Sews and sews	290	290
Junior high events	156	5,457
Women's ministry	152	4,658
Community groups	109	109
Sanctuary retreats	50	-
Miscellaneous	24	-
BRC-LR seed	-	16,050
Matthew 25	-	10,206
CSB stockade	-	3,908
Sanctuary apparel	-	3,164
CSB leaders training	-	876
Moms of the Rock	-	786
	<u>\$ 250,033</u>	<u>\$ 91,594</u>

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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>2023</u>	<u>2022</u>
Ministry Fund		
Easton counseling	\$ 249,444	\$ -
New vehicle fund	45,000	-
Hoder Memorial Fund	24,066	24,379
Single moms of the rock	5,604	12,013
Choir and orchestra supplies	619	7,078
Digital discipleship	500	-
Stamford interns renovation	-	6,816
Community outreach	-	43,249
Diversity initiatives	-	10,000
Total Local Ministry Fund	<u>325,233</u>	<u>103,535</u>
Missions Fund		
Missions - general	199,082	328,202
College loans	54,895	55,591
Church short-term missions trips	4,498	10,963
Total Missions Fund	<u>258,475</u>	<u>394,756</u>
Building Fund - For Expenses Related to 3865 Black Rock Turnpike	-	191,375
Beneficial Interest in Trust	265,555	284,590
Deacons Fund - For Families In Need	<u>299,371</u>	<u>284,825</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,148,634</u>	<u>\$ 1,259,081</u>

NOTE 10 - OPERATING LEASES

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 leases office equipment under noncancelable operating leases that expire through April 2027. Rent expense for office equipment was \$36,568 and \$56,574 during the years ended May 31, 2023 and 2022, respectively, and is recorded in office expenses in the accompanying consolidated statements of functional expenses.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10 - OPERATING LEASES – (CONTINUED)

Other information related to leases was as follows:

	Year Ended May 31,	
	<u>2023</u>	<u>2022</u>
Weighted Average Remaining Lease Term		
Operating leases	3.48	4.48
Weighted Average Discount Rate		
Operating leases	2.57%	2.53%

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

Year Ending <u>May 31,</u>	
2024	\$ 43,483
2025	33,906
2026	31,563
2027	29,766
2028	10,000
Thereafter	<u>1,667</u>
	150,385
Less: imputed interest	<u>(15,170)</u>
	<u>\$ 135,215</u>

NOTE 11 - RENTAL INCOME

The Church leases several properties to employees under short-term agreements. The current lease agreements are through May 31, 2023. Rental income under these agreements was \$65,049 and \$69,395 for the years ended May 31, 2023 and 2022, respectively. These amounts have been reported in miscellaneous income on the consolidated statements of activities.

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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 Church's beneficial interest in the net assets of the trust of \$265,555 and \$284,590 as of May 31, 2023 and 2022, respectively, has been reflected on the accompanying consolidated statements of financial position. The Church's change in the beneficial interest in the net assets of the trust of \$(5,364) and \$(23,261) during the years ended May 31, 2023 and 2022, respectively, is reflected on the accompanying consolidated statements of activities.

The trust's summarized financial data is as follows:

	May 31,	
	<u>2023</u>	<u>2022</u>
Total Assets and Net Assets	\$ 265,555	\$ 284,590
Total Investment Income	\$ (5,364)	\$ (23,261)
Distributions to Black Rock Church	\$ 13,671	\$ 10,922

NOTE 13 - FEDERAL PAYCHECK PROTECTION PROGRAM

The Church received \$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 amount was forgiven during the year ended May 31, 2022. The amount forgiven is reported in the consolidated statements of activities.

NOTE 14 - SUBSEQUENT EVENTS

The Church did not have any subsequent events through February 28, 2024, which is the date the financial statements were available to be issued.