

**BLACK ROCK CHURCH AND
SUBSIDIARY
CONSOLIDATED FINANCIAL
STATEMENTS
YEARS ENDED
MAY 31, 2024 AND 2023**

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 Church), which comprise the consolidated statements of financial position as of May 31, 2024 and 2023, 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, 2024 and 2023, 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.

www.bhcbcpa.com

234 Church Street | New Haven, CT 06510 | P/203.787.6527 | F/203.776.8745
One Post Road | Fairfield, CT 06824 | P/203.333.2228 | F/203.333.3520

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
November 15, 2024

BLACK ROCK CHURCH AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	May 31,	
	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,980,384	\$ 1,832,140
Investments	62,164	567,271
Promises to give	41,686	32,892
Prepaid expenses	<u>93,259</u>	<u>63,930</u>
Total Current Assets	<u>2,177,493</u>	<u>2,496,233</u>
Non-Current Assets		
Beneficial interest in trust	292,557	265,555
Property and equipment - net	26,194,379	26,556,867
Right of use asset	<u>168,007</u>	<u>223,497</u>
Total Non-Current Assets	<u>26,654,943</u>	<u>27,045,919</u>
TOTAL ASSETS	<u>\$ 28,832,436</u>	<u>\$ 29,542,152</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 136,078	\$ 170,722
Deferred revenue	263,667	171,241
Lease liability - current portion	<u>37,111</u>	<u>41,312</u>
Total Current Liabilities	<u>436,856</u>	<u>383,275</u>
Non-Current Liabilities		
Lease liability - long-term portion	<u>57,567</u>	<u>93,903</u>
Total Non-Current Liabilities	<u>57,567</u>	<u>93,903</u>
Total Liabilities	<u>494,423</u>	<u>477,178</u>
Net Assets		
Unrestricted Net Assets		
Without donor restrictions		
Undesignated	27,434,557	27,666,307
Board designated	<u>99,080</u>	<u>250,033</u>
Total Without Donor Restrictions	27,533,637	27,916,340
With donor restrictions	<u>804,376</u>	<u>1,148,634</u>
Total Net Assets	<u>28,338,013</u>	<u>29,064,974</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,832,436</u>	<u>\$ 29,542,152</u>

See accompanying notes to the consolidated financial statements.

BLACK ROCK CHURCH AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year Ended May 31, 2024			Year Ended May 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Offerings	\$ 4,411,932	\$ 1,759,708	\$ 6,171,640	\$ 4,307,198	\$ 1,322,198	\$ 5,629,396
Summer camp registration fees	279,957	-	279,957	247,045	-	247,045
Interest	35,146	1,604	36,750	19,813	1,176	20,989
Miscellaneous income	39,415	-	39,415	44,845	-	44,845
Rental income	35,659	-	35,659	65,049	-	65,049
Café sales	47,897	-	47,897	42,302	-	42,302
Ministry events and projects	290,444	41,853	332,297	214,639	603,315	817,954
Change in beneficial interest in trust	-	38,570	38,570	-	(5,364)	(5,364)
Realized and unrealized gains (losses) on investments	16,734	6,237	22,971	(8,607)	(1,332)	(9,939)
Total Revenue and Support Before Net Assets Released From Restrictions	5,157,184	1,847,972	7,005,156	4,932,284	1,919,993	6,852,277
Net Assets Released From Restrictions	2,192,230	(2,192,230)	-	2,030,440	(2,030,440)	-
Total Revenue and Support	7,349,414	(344,258)	7,005,156	6,962,724	(110,447)	6,852,277
Operating Expenses						
Program services	6,339,509	-	6,339,509	5,803,718	-	5,803,718
Supporting services	1,422,710	-	1,422,710	1,351,772	-	1,351,772
Fundraising	82,973	-	82,973	76,105	-	76,105
Total Operating Expenses	7,845,192	-	7,845,192	7,231,595	-	7,231,595
Change in Net Assets from Operations	(495,778)	(344,258)	(840,036)	(268,871)	(110,447)	(379,318)
Other Changes in Net Assets						
Employee retention tax credit income	113,075	-	113,075	-	-	-
Change in Net Assets	(382,703)	(344,258)	(726,961)	(268,871)	(110,447)	(379,318)
Net Assets, Beginning of Year	27,916,340	1,148,634	29,064,974	28,185,211	1,259,081	29,444,292
Net Assets, End of Year	\$ 27,533,637	\$ 804,376	\$ 28,338,013	\$ 27,916,340	\$ 1,148,634	\$ 29,064,974

See accompanying notes to the consolidated financial statements.

BLACK ROCK CHURCH AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended May 31, 2024			Year Ended May 31, 2023		
	Program Services	Supporting Services	Fundraising	Total	Program Services	Supporting Services
Salaries, benefits and payroll taxes	\$ 2,307,945	\$ 738,542	\$ 30,773	\$ 3,077,260	\$ 2,194,556	\$ 702,258
Missions	1,277,385	-	-	1,277,385	957,916	-
Depreciation	693,487	221,916	9,246	924,649	690,787	221,052
Employee health insurance	392,515	125,605	5,234	523,354	308,619	98,758
Ministry projects	357,533	-	-	357,533	413,413	-
Church building maintenance	222,265	-	-	222,265	198,272	-
Administrative	-	214,174	-	214,174	-	210,036
Ministry expenses - Deacon	212,552	-	-	212,552	129,402	-
Utilities	115,823	37,063	1,544	154,430	118,376	37,880
Miscellaneous	108,797	-	-	108,797	130,583	-
Summer camp supplies	101,971	-	-	101,971	88,635	-
Community engagement	95,899	-	-	95,899	86,642	-
Office	6,112	85,410	-	91,522	486	81,788
Youth ministries	87,686	-	-	87,686	82,276	-
Music ministries	76,323	-	-	76,323	68,006	-
Insurance	57,064	-	-	57,064	47,762	-
Children's ministries	50,778	-	-	50,778	48,826	-
Café costs of sales	-	-	36,176	36,176	-	31,939
Spiritual development	35,062	-	-	35,062	29,455	-
Adult ministries	30,744	-	-	30,744	26,565	-
Sanctuary ministries	28,627	-	-	28,627	23,399	-
Other ministries	24,253	-	-	24,253	22,780	-
Automobile	24,005	-	-	24,005	24,386	-
Advertising	21,182	-	-	21,182	15,339	-
Van maintenance	11,501	-	-	11,501	15,402	-
Interest	-	-	-	-	81,835	-
	<u>\$ 6,339,509</u>	<u>\$ 1,422,710</u>	<u>\$ 82,973</u>	<u>\$ 7,845,192</u>	<u>\$ 5,803,718</u>	<u>\$ 1,351,772</u>
						<u>\$ 76,105</u>
						<u>\$ 7,231,595</u>

See accompanying notes to the consolidated financial statements.

BLACK ROCK CHURCH AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended May 31,	
	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (726,961)	\$ (379,318)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Beneficial interest in net assets of trust	(27,002)	19,035
Realized and unrealized (gain) loss on investments	(22,971)	9,939
Amortization of financing costs	-	75,951
Amortization of right of use asset	55,490	57,547
Depreciation	924,649	921,051
Changes in operating assets and liabilities:		
Contributions receivable	(8,794)	52,349
Prepaid expenses	(29,329)	(2,729)
Accrued expenses	(34,644)	(8,606)
Deferred revenue	92,426	16,792
Lease liability	<u>(40,537)</u>	<u>(39,580)</u>
Net Cash Provided by Operating Activities	<u>182,327</u>	<u>722,431</u>
Cash Flows from Investing Activities		
Purchases of investments	(6,001)	(3,232)
Proceeds from sale of investments	534,079	12,448
Purchases of property and equipment	<u>(562,161)</u>	<u>(232,005)</u>
Net Cash Used by Investing Activities	<u>(34,083)</u>	<u>(222,789)</u>
Cash Flows from Financing Activities		
Repayments of mortgage loan	<u>-</u>	<u>(302,021)</u>
Net Cash Used by Financing Activities	<u>-</u>	<u>(302,021)</u>
Change in Cash and Cash Equivalents	148,244	197,621
Cash and Cash Equivalents, Beginning of Year	<u>1,832,140</u>	<u>1,634,519</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,980,384</u>	<u>\$ 1,832,140</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ -</u>	<u>\$ 6,607</u>
Cash paid for amount included in the measurement of lease liabilities	<u>\$ 43,838</u>	<u>\$ 44,537</u>

See accompanying notes to the consolidated financial statements.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

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.

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.

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.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

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

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.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at fair 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. 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 consists of the following:

	Year Ended May 31,	
	<u>2024</u>	<u>2023</u>
Summer camp registration fees	\$ 279,957	\$ 247,045
Café sales	<u>47,897</u>	<u>42,302</u>
Total	<u>\$ 327,854</u>	<u>\$ 289,347</u>

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

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

Revenue from Contracts with Customers – (Continued)

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.

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 right-of-use (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, 2024 and 2023 were \$21,182 and \$15,339, respectively.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

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

Reclassifications

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

Subsequent Events

The Church did not have any subsequent events through November 15, 2024, which is the date the financial statements were available to be issued.

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>2024</u>	<u>2023</u>
Financial Assets at Year-End:		
Cash and cash equivalents	\$ 1,980,384	\$ 1,832,140
Investments	62,164	567,271
Contributions receivable	<u>41,686</u>	<u>32,892</u>
	<u>2,084,234</u>	<u>2,432,303</u>
Less Amounts Not Available to be Used within One Year:		
Net assets with donor restrictions	804,376	1,148,634
Board designated net assets	<u>99,080</u>	<u>250,033</u>
	<u>903,456</u>	<u>1,398,667</u>
Financial Assets Available to Meet General Expenditures		
Over the Next 12 Months	<u>\$ 1,180,778</u>	<u>\$ 1,033,636</u>

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

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.
- 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, 2024</u>	<u>Level 1</u>
Exchange traded products	<u>\$ 62,164</u>	<u>\$ 62,164</u>
<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>	

*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.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 3 - FAIR VALUE MEASUREMENTS – (CONTINUED)

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.

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>2024</u>	<u>2023</u>			
Common Trust Fund	\$ <u>-</u>	\$ <u>340,414</u>	None	Daily	Daily

The investments measured at net asset value as of May 31, 2023 consists 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, 2024 and 2023, the Church held cash of \$236,261 and \$101,219, 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 \$54,342 and \$48,459 for the years ended May 31, 2024 and 2023, 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, 2024 AND 2023

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 was 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 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 paid off the balance of the loan in November 2022.

Interest expense was \$7,678 for the year ended May 31, 2023. The remaining unamortized finance costs of \$74,157 were expensed for the year ended May 31, 2023 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>2024</u>	<u>2023</u>
Buildings and building improvements	\$ 27,865,014	\$ 27,470,599
Land	3,634,710	3,634,710
Computers and equipment	1,174,557	1,170,257
Furniture and fixtures	1,445,064	1,416,547
Automobiles and trucks	162,564	95,579
Construction in progress	<u>194,606</u>	<u>126,698</u>
	34,476,515	33,914,390
Accumulated depreciation	<u>(8,282,136)</u>	<u>(7,357,523)</u>
	<u>\$ 26,194,379</u>	<u>\$ 26,556,867</u>

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 8 - BOARD DESIGNATED FUNDS

Funds designated by the Church Elders were as follows:

	May 31,	
	<u>2024</u>	<u>2023</u>
Digital Discipleship	\$ 19,500	\$ 19,500
Sunday school	18,751	10,474
CARS ministry	12,939	12,939
Senior high events	7,707	3,719
Men's ministry	5,398	6,107
Seniors of the Rock	5,044	1,274
Community engagement	4,818	5,318
Special events	4,814	3,814
Special projects	4,000	2,107
Elevate	3,859	4,784
Marriage ministry	1,975	15,332
SOR missionary support	1,724	-
Chancel choir	1,347	1,240
Soul care	1,274	1,274
Care ministry	1,189	2,397
Dads of the Rock	1,084	1,084
Spiritual development	742	742
Vacation bible school	708	703
Awana	544	544
Women's ministry	477	152
Shine ministry	335	-
Sews and sews	290	290
Community groups	198	109
Junior high events	180	156
Moms of the Rock	161	-
Miscellaneous	22	24
Stamford Interns Renovation	-	155,900
Sanctuary retreats	-	50
	<u>\$ 99,080</u>	<u>\$ 250,033</u>

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

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

	May 31, <u>2024</u>	<u>2023</u>
Ministry Fund		
Hoder Memorial Fund	\$ 27,381	\$ 24,066
Single moms of the rock	4,681	5,604
Targeted gifts	2,500	-
Choir and orchestra supplies	1,516	619
Digital discipleship	500	500
Easton counseling	-	249,444
New vehicle fund	<u>-</u>	<u>45,000</u>
Total Local Ministry Fund	<u>36,578</u>	<u>325,233</u>
Missions Fund		
Missions - general	221,025	199,082
College loan assistance	62,164	54,895
Church short-term missions trips	<u>(24,743)</u>	<u>4,498</u>
Total Missions Fund	<u>258,446</u>	<u>258,475</u>
Beneficial Interest in Trust	292,557	265,555
Deacons Fund - For Families In Need	<u>216,795</u>	<u>299,371</u>
Total Net Assets With Donor Restrictions	<u>\$ 804,376</u>	<u>\$ 1,148,634</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 non-cancelable operating leases that expire through April 2027. Rent expense for office equipment was \$33,300 and \$36,568 during the years ended May 31, 2024 and 2023, respectively, and is recorded in office expenses in the accompanying consolidated statements of functional expenses.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 10 - OPERATING LEASES – (CONTINUED)

Other information related to leases was as follows:

	Year Ended May 31,	
	<u>2024</u>	<u>2023</u>
Weighted Average Remaining Lease Term		
Operating leases	2.48	3.48
Weighted Average Discount Rate		
Operating leases	2.64%	2.57%

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

Year Ending <u>May 31,</u>	
2025	\$ 37,111
2026	30,743
2027	<u>27,728</u>
	95,582
Less: imputed interest	<u>(904)</u>
	<u>\$ 94,678</u>

NOTE 11 - RENTAL INCOME

The Church leases several properties to employees under short-term agreements. The current lease agreements are through May 31, 2024. Rental income under these agreements was \$35,659 and \$65,049 for the years ended May 31, 2024 and 2023, respectively. These amounts have been reported in rental 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 Church's beneficial interest in the net assets of the trust of \$292,557 and \$265,555 as of May 31, 2024 and 2023, 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 \$38,570 and \$(5,364) during the years ended May 31, 2024 and 2023, respectively, is reflected on the accompanying consolidated statements of activities.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 12 - TRUST BENEFICIARY – (CONTINUED)

The trust's summarized financial data is as follows:

	May 31,	
	<u>2024</u>	<u>2023</u>
Total Assets and Net Assets	<u>\$ 292,557</u>	<u>\$ 265,555</u>
Total Investment Income	<u>\$ 38,570</u>	<u>\$ (5,364)</u>
Distributions to Black Rock Church	<u>\$ 11,568</u>	<u>\$ 13,671</u>

November 15, 2024

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

We have audited the financial statements of Black Rock Church and Subsidiary (Church) for the year ended May 31, 2024, and we have issued our report thereon dated November 15, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 3, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Church are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended May 31, 2024. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the fair value of investments, depreciation expense, right of use asset and lease liabilities, and the allocation of expenses between program and supporting services. We evaluated the methods, assumptions, and data used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

www.bhcbcpa.com

234 Church Street | New Haven, CT 06510 | P/203.787.6527 | F/203.776.8745

One Post Road | Fairfield, CT 06824 | P/203.333.2228 | F/203.333.3520

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 15, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Elders, others within the Church, and management of the Church and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

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