

**BLACK ROCK CHURCH AND
SUBSIDIARY**

**CONSOLIDATED FINANCIAL
STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED MAY 31, 2018

BLACK ROCK CHURCH AND SUBSIDIARY

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Beers, Hamerman, Cohen & Burger, PC
Certified Public Accountants and Business Consultants

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Black Rock Church and Subsidiary (a non-profit organization), which comprise the consolidated statement of financial position as of May 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

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, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2 to the consolidated financial statements, in 2018 the Church changed its basis of accounting from the modified cash basis to accounting principles generally accepted in the United States of America (GAAP). The net assets as of the beginning of the year have been retroactively adjusted to reflect the change in basis of accounting adopted in 2018. Our opinion is not modified with respect to this matter.

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

New Haven, Connecticut
November 30, 2018

BLACK ROCK CHURCH AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEAR ENDED MAY 31, 2018

ASSETS

Current Assets	
Cash	\$ 4,845,348
Money market funds	434,893
Mutual funds	53,161
Contributions receivable	4,561,738
Prepaid expenses	<u>39,275</u>
Total Current Assets	<u>9,934,415</u>
Non-Current Assets	
Beneficial interest in trust	286,730
Property and equipment, net	<u>22,944,398</u>
Total Non-Current Assets	<u>23,231,128</u>
TOTAL ASSETS	<u>\$ 33,165,543</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accrued expenses	\$ 114,999
Deferred revenue	172,487
Accrued interest payable	7,062
Mortgage payable - current portion	<u>198,417</u>
Total Current Liabilities	<u>492,965</u>
Mortgage Payable - Long-Term Portion	<u>2,120,056</u>
Total Liabilities	<u>2,613,021</u>
Net Assets	
Unrestricted	22,249,984
Designated	<u>196,163</u>
Total Unrestricted Net Assets	22,446,147
Temporarily Restricted Net Assets	8,074,375
Permanently Restricted Net Assets	<u>32,000</u>
Total Net Assets	<u>30,552,522</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,165,543</u>

See accompanying notes to the consolidated financial statements.

BLACK ROCK CHURCH AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Offerings	\$ 4,107,157	\$ 8,661,131	\$ -	\$ 12,768,288
Summer camp registration fees	262,280	-	-	262,280
Interest	1,374	1,170	-	2,544
Miscellaneous income	67,081	-	-	67,081
Donated services	17,084	-	-	17,084
Café sales	28,524	-	-	28,524
Ministry events and projects	308,433	-	-	308,433
Change in beneficial interest in trust	-	14,449	-	14,449
Gain on sale of property and equipment	27,000	-	-	27,000
Realized and unrealized losses on investments	-	(548)	-	(548)
Total Revenue and Support Before Net Assets Released From Restrictions	4,818,933	8,676,202	-	13,495,135
Net Assets Released From Restrictions	<u>1,696,031</u>	<u>(1,696,031)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>6,514,964</u>	<u>6,980,171</u>	<u>-</u>	<u>13,495,135</u>
Expenses				
Program services	5,327,895	-	-	5,327,895
Supporting services	1,206,682	-	-	1,206,682
Fundraising	<u>62,653</u>	<u>-</u>	<u>-</u>	<u>62,653</u>
Total Expenses	<u>6,597,230</u>	<u>-</u>	<u>-</u>	<u>6,597,230</u>
Change in Net Assets	(82,266)	6,980,171	-	6,897,905
Net Assets, Beginning of Year (Adjusted)	<u>22,528,413</u>	<u>1,094,204</u>	<u>32,000</u>	<u>23,654,617</u>
Net Assets, End of Year	<u>\$ 22,446,147</u>	<u>\$ 8,074,375</u>	<u>\$ 32,000</u>	<u>\$ 30,552,522</u>

See accompanying notes to the consolidated financial statements.

BLACK ROCK CHURCH AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2018

	<u>Program</u> <u>Services</u>	<u>Supporting</u> <u>Services</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and payroll taxes	\$ 1,689,458	\$ 570,763	\$ 22,831	\$ 2,283,052
Missions	1,424,039	-	-	1,424,039
Depreciation	564,297	190,641	7,626	762,564
Employee health insurance	227,353	76,809	3,072	307,234
Ministry projects	292,990	-	-	292,990
Church building maintenance	212,823	-	-	212,823
Administrative	-	210,343	-	210,343
Utilities	126,940	42,885	1,715	171,540
Miscellaneous	146,068	-	-	146,068
Ministry expenses - Deacon	121,734	-	-	121,734
Office	-	115,241	-	115,241
Youth ministries	88,332	-	-	88,332
Interest	88,135	-	-	88,135
Summer camp supplies	83,950	-	-	83,950
Music ministries	75,178	-	-	75,178
Insurance	42,926	-	-	42,926
Children's ministries	39,411	-	-	39,411
Sanctuary ministries	32,033	-	-	32,033
Café	-	-	27,409	27,409
Automobile	21,757	-	-	21,757
Adult ministries	15,672	-	-	15,672
Other ministries	11,400	-	-	11,400
Van maintenance	10,840	-	-	10,840
Spiritual development	7,769	-	-	7,769
Amortization	4,790	-	-	4,790
	<u>\$ 5,327,895</u>	<u>\$ 1,206,682</u>	<u>\$ 62,653</u>	<u>\$ 6,597,230</u>

See accompanying notes to the consolidated financial statements.

BLACK ROCK CHURCH AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2018

Cash Flows From Operating Activities	
Change in net assets	\$6,897,905
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Beneficial interest in net assets of trust, net of distributions of \$8,640	(5,509)
Realized and unrealized loss on investments	548
Amortization of financing costs	4,790
Depreciation	762,564
Gain on sale of equipment	(27,000)
Change in operating assets and liabilities:	
Promises to give	(4,532,891)
Contributions restricted for long-term purposes	(2,356,035)
Prepaid expenses	(16,761)
Accrued expenses	41,188
Deferred revenue	6,184
Accrued interest payable	<u>(2,058)</u>
Net Cash Provided By Operating Activities	<u>772,925</u>
Cash Flows From Investing Activities	
Purchases of investments	(1,109)
Proceeds from sale of property and equipment	27,000
Purchases of property and equipment	<u>(507,781)</u>
Net Cash Used By Investing Activities	<u>(481,890)</u>
Cash Flows From Financing Activities	
Contributions received restricted for property and equipment	2,356,035
Repayments of long-term debt	<u>(282,885)</u>
Net Cash Provided By Financing Activities	<u>2,073,150</u>
Change in Cash and Cash Equivalents	2,364,185
Cash and Cash Equivalents, Beginning of Year	<u>2,916,056</u>
Cash and Cash Equivalents, End of Year	<u>\$5,280,241</u>
Supplemental Disclosure of Cash Flow Information	
Cash paid for interest	<u>\$ 90,193</u>

See accompanying notes to the consolidated financial statements.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2018

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 three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2018

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

Promises to Give – (Continued)

The Church frequently receives faith promises from donors for future periods or projects. The promisor makes a faith promise to give funds to the Organization. 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 statement of financial position.

Registration Fees

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

Investments

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

Income Taxes

The Church qualifies as a tax-exempt church under Section 501(c)(3) of the Internal Revenue Code. As the Church is a religious organization, it is not required to file the Form 990, Return of Organization Exempt from Income Tax.

Cash and Cash Equivalents

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

Advertising

Advertising costs are expensed as incurred. Advertising expenses for the year ended May 31, 2018 were \$6,066.

Property and Equipment

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

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2018

NOTE 2 - CHANGES TO THE BASIS OF ACCOUNTING

During 2018, the Church elected to change its basis of accounting from the modified cash basis to accounting principles generally accepted in the United States of America (GAAP). The net assets as of the beginning of the year as reflected in the accompanying consolidated statement of activities have been retroactively adjusted to the new basis of accounting.

The results of the change in basis of accounting to the statement of activities are as follows:

Net Assets, Beginning of Year, as previously reported	\$ 144,678
Adjustment to record beneficial interest in trust	281,221
Adjustment to record property and equipment	23,199,181
Adjustment to record deferred financing costs	<u>29,537</u>
Net Assets, Beginning of Year, as adjusted	<u>\$ 23,654,617</u>
Temporarily Restricted Net Assets, Beginning of Year, as previously reported	\$ 844,983
Adjustment to record beneficial interest in trust	<u>249,221</u>
Temporarily Restricted Net Assets, Beginning of Year, as adjusted	<u>\$ 1,094,204</u>
Permanently Restricted Net Assets, Beginning of Year, as previously reported	\$ -
Adjustment to record beneficial interest in trust	<u>32,000</u>
Permanently Restricted Net Assets, Beginning of Year, as adjusted	<u>\$ 32,000</u>

NOTE 3 - DONATED SERVICES

The Church recognizes contributions of services received if they create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. During the year ended May 31, 2018 the Church received donated accounting services from a firm owned by a board member of \$17,084.

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

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2018

NOTE 4 - CONTRIBUTIONS RECEIVABLE

The Church had unconditional promises to give of \$4,561,738 as of May 31, 2018. Promises to give in more than one year were discounted at 4.86% per year, plus an additional amount representing the portion that management does not expect to collect.

Contributions receivable are:

Contributions due in less than one year	\$2,852,842
Contributions due within one to five years	<u>2,331,650</u>
	5,184,492
Less: allowance for uncollectible pledges	(514,688)
Less: discount to net present value	<u>(108,066)</u>
	<u>\$4,561,738</u>

NOTE 5 - FAIR VALUE MEASUREMENTS

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

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

BLACK ROCK CHURCH AND SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 YEAR ENDED MAY 31, 2018

NOTE 5 - FAIR VALUE MEASUREMENTS – (CONTINUED)

The fair value of mutual funds, measured on a recurring basis, is Level 1. Mutual funds are valued at quoted market prices for identical instruments traded in active markets.

The fair value of contributions receivable measured on a non-recurring basis at May 31, 2018 was \$4,561,738. They are a Level 3 input and were determined using the income approach based on calculating the present value of the future receipts using a discount rate of 4.86%.

NOTE 6 - CONCENTRATION OF CREDIT RISK

As of May 31, 2018, the Church held cash of \$4,260,978 in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC). The Church, however, has not experienced any losses on these accounts and management does not believe that its cash balances are subject to significant credit risk.

NOTE 7 - RETIREMENT PLAN

The Church has a 403(b) retirement plan that covers substantially all full-time 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 \$27,223 for the year ended May 31, 2018, and is recorded in salaries, benefits and payroll taxes on the accompanying consolidated statement of functional expenses.

NOTE 8 - MORTGAGE PAYABLE

On January 30, 2014, the Church entered into a variable rate commercial construction loan with a bank for \$6,000,000 to finance the remaining construction on property being renovated. In February 2015, the construction loan was converted to a permanent mortgage that was then amended on June 5, 2015. The amended loan requires monthly payments of \$23,199 including interest at a fixed rate of 3.5% with a balloon payment due on January 30, 2024. The mortgage is secured by the building and personal property, an assignment and security interest in all pledges for the project and the deposits of the Church's building fund cash accounts. The Church must comply with certain financial covenants.

Aggregate principal payments of long-term debt are:

2019	\$ 198,417
2020	206,740
2021	214,093
2022	221,708
2023	229,593
Thereafter	<u>1,272,669</u>
	2,343,220
Less current portion	198,417
Less finance costs	<u>24,747</u>
Total Long-Term Debt	<u>\$ 2,120,056</u>

Interest expense was \$88,135 for the year ended May 31, 2018.

BLACK ROCK CHURCH AND SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 YEAR ENDED MAY 31, 2018

NOTE 9 - DESIGNATED UNRESTRICTED NET ASSETS

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

BRC-LR seed	\$ 90,000
Stamford launch	40,552
CSB stockade	11,040
Men's ministry	10,168
Long Ridge in/out	8,459
CARS ministry	8,217
Vacation bible school	3,835
Matthew 25	3,559
Junior high events	3,375
CSB leaders training	2,919
Care ministry	2,867
Senior high events	2,243
Youth/Young Life	2,112
Chancel choir	1,815
Revive	1,077
Special events	955
Spiritual development	751
Moms of the Rock	726
Sanctuary apparel	507
Sews and sews	290
CBS Batallion	249
LR missions support	200
Dads of the Rock	183
Community groups	<u>64</u>
	<u>\$ 196,163</u>

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2018

NOTE 10 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Land	\$ 3,634,710
Buildings and building improvements	20,242,167
Computers and equipment	980,422
Automobiles and trucks	92,154
Furniture and fixtures	580,888
Construction in progress	<u>195,710</u>
	25,726,051
Accumulated depreciation	<u>(2,781,653)</u>
	<u>\$ 22,944,398</u>

Construction in progress recorded as of May 31, 2018 relates to the construction of the second floor at its church located at 3685 Black Rock Turnpike.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

The Church's temporarily restricted net assets consist of the following:

Local Ministry Fund	
Finishing piece	\$ 181
Clergy renewal	477
Choir and orchestra supplies	11,602
Diversity initiatives	10,000
Targeted gifts	<u>15,000</u>
Total Local Ministry Fund	<u>37,260</u>
Missions Fund	
College loans	64,898
Church short-term missions trips	97,241
Designated missions	181,140
Royal family kid's camp	17,349
Missions - general	<u>483,127</u>
Total Missions Fund	<u>843,755</u>
Building Fund - For Expenses Related to 3865 Black Rock Turnpike	<u>6,782,941</u>
Beneficial Interest in Trust	254,730
Deacons Fund - For Families In Need	<u>155,689</u>
Total Temporarily Restricted Net Assets	<u>\$ 8,074,375</u>

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2018

NOTE 12 - LEASE COMMITMENTS

The Church entered into a lease for parking spaces at an offsite location effective for a two-year period beginning December 1, 2017. Under the terms of the agreement, the lease may be cancelled by either party with 30 days written notice. Rent expense for the parking spaces was \$3,000 during the year ended May 31, 2018.

The Church leases office equipment under noncancelable operating leases that expire through May 2022. Rent expense for office equipment was \$42,348 during the year ended May 31, 2018 and is recorded in offices expenses in the accompanying consolidated statement of functional expenses.

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

Year Ending May 31,	
2019	\$ 41,964
2020	41,964
2021	41,145
2022	<u>39,792</u>
	<u>\$ 164,865</u>

NOTE 13 - 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 \$286,730 as of May 31, 2018 has been reflected on the accompanying consolidated statement of financial position. The Organization's change in the beneficial interest in the net assets of the trust of \$14,449 during the year ended May 31, 2018 is reflected on the accompanying consolidated statement of activities.

The initial contribution to the trust for the benefit of the Church of \$32,000 is classified as a permanently restricted net asset. The accumulated investment earnings that have not yet been distributed are recorded as a temporarily restricted net asset until the trustee approves a distribution to the Church.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2018

NOTE 13 - TRUST BENEFICIARY – (CONTINUED)

The trust’s summarized financial data is as follows:

	May 31, 2018
Total Assets	\$ <u>286,730</u>
Total Net Assets	\$ <u>286,730</u>
Total Investment Income	\$ <u>14,449</u>
Distributions to Black Rock Church	\$ <u>8,940</u>

NOTE 14 - SUBSEQUENT EVENTS

Repayment of Mortgage Loan

On August 16, 2018, the Church paid off the remaining balance of the mortgage loan that was held with a financial institution.

Construction Loan to Finance Expansion of 3685 Black Rock Turnpike

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

The loan will incur interest for the first 24 months, through August 2020, at a rate of 4.86% per year. The interest rate will be adjusted during the 7th, 14th and 21st years of the loan to the Thrivent Financial then current rate for similar loans. During the construction period, through August of 2020, the Church will only be responsible for interest payments, which will be calculated based on the outstanding balance of the loan. Beginning with the 25th month, principal and interest (payable in arrears) will be payable in equal monthly installments in an amount that will fully amortize the loan over the remaining 23 years of the loan term. The mortgage is secured by a first mortgage or Deed of Trust on all the land and improvements owned by the Church, a first lien on all personal property owned by the Church, and an assignment of cash (to be held in a restricted account at a commercial bank) and pledges associated with the capital campaign on the construction project. The Church must comply with certain financial covenants.

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 requires a base rent payment of \$170,000 paid on July 16, 2018 and an additional payment of \$80,000, payable in \$10,000 installments due on August 1 of each subsequent year through 2026.

In addition, the Church entered into a month to month lease agreement with the Hi-Ho Hotel effective July 1, 2018. Monthly rent expense under the agreement will be \$500.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2018

NOTE 14 - SUBSEQUENT EVENTS – (CONTINUED)

Leases – (Continued)

Effective November 1, 2018, the Church entered into a lease agreement with New Hope Church in Stamford, CT. The agreement will allow New Hope Church to rent the Church building owned by Black Rock Church and Subsidiary located at 455 Old Long Ridge Road. Monthly rental income under the agreement will be \$2,900. As of the date the financial statements were available to be issued, the Church does not have a signed agreement.

Subsequent events were evaluated through November 30, 2018, the date the financial statements were available to be issued. Management concluded that no additional subsequent events have occurred that would require recognition or disclosure in the financial statements.