

**BLACK ROCK CHURCH AND
SUBSIDIARY**

**CONSOLIDATED FINANCIAL
STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED MAY 31, 2019 AND 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 statements of financial position as of May 31, 2019 and 2018, 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.

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 audits. We conducted our audits 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, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

New Accounting Pronouncement

As described in Note 1 to the consolidated financial statements, the Church implemented Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities* effective June 1, 2018. Our opinion is not modified with respect to that matter.

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

New Haven, Connecticut
October 2, 2019

BLACK ROCK CHURCH AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	May 31,	
	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,355,825	\$ 5,280,241
Restricted cash	167,255	-
Investments	361,565	53,161
Contributions receivable	1,546,060	4,561,738
Prepaid rent	151,250	-
Deposit on furniture and equipment	307,419	-
Prepaid expenses	55,874	39,275
Total Current Assets	4,945,248	9,934,415
Non-Current Assets		
Beneficial interest in trust	272,891	286,730
Property and equipment, net	26,931,417	22,944,398
Total Non-Current Assets	27,204,308	23,231,128
TOTAL ASSETS	\$ 32,149,556	\$ 33,165,543
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 78,793	\$ 114,999
Accrued construction costs	592,780	-
Deferred revenue	163,866	172,487
Accrued interest payable	-	7,062
Mortgage payable - current portion	-	198,417
Total Current Liabilities	835,439	492,965
Mortgage Payable - Long-Term Portion	1,278,330	2,120,056
Total Liabilities	2,113,769	2,613,021
Net Assets		
Without donor restrictions		
Undesignated	26,809,904	22,249,984
Board designated	139,259	196,163
Total Without Donor Restrictions	26,949,163	22,446,147
With donor restrictions	3,086,624	8,106,375
Total Net Assets	30,035,787	30,552,522
TOTAL LIABILITIES AND NET ASSETS	\$ 32,149,556	\$ 33,165,543

See accompanying notes to the consolidated financial statements.

BLACK ROCK CHURCH AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year Ended May 31, 2019			Year Ended May 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Offerings	\$ 3,980,168	\$ 1,933,470	\$ 5,913,638	\$ 4,107,157	\$ 8,661,131	\$ 12,768,288
Summer camp registration fees	264,741	-	264,741	262,280	-	262,280
Interest	6,262	1,150	7,412	1,374	1,170	2,544
Miscellaneous income	58,472	-	58,472	67,081	-	67,081
Donated services	18,712	-	18,712	17,084	-	17,084
Café sales	34,815	-	34,815	28,524	-	28,524
Ministry events and projects	257,237	-	257,237	308,433	-	308,433
Change in beneficial interest in trust	-	(2,489)	(2,489)	-	14,449	14,449
Gain on sale of property and equipment	-	-	-	27,000	-	27,000
Realized and unrealized gains (losses) on investments	5,462	(425)	5,037	-	(548)	(548)
Total Revenue and Support Before Net Assets Released From Restrictions	4,625,869	1,931,706	6,557,575	4,818,933	8,676,202	13,495,135
Net Assets Released From Restrictions	6,951,457	(6,951,457)	-	1,696,031	(1,696,031)	-
Total Revenue and Support	11,577,326	(5,019,751)	6,557,575	6,514,964	6,980,171	13,495,135
Expenses						
Program services	5,830,040	-	5,830,040	5,327,895	-	5,327,895
Supporting services	1,168,729	-	1,168,729	1,206,682	-	1,206,682
Fundraising	75,541	-	75,541	62,653	-	62,653
Total Expenses	7,074,310	-	7,074,310	6,597,230	-	6,597,230
Change in Net Assets	4,503,016	(5,019,751)	(516,735)	(82,266)	6,980,171	6,897,905
Net Assets, Beginning of Year	22,446,147	8,106,375	30,552,522	22,528,413	1,126,204	23,654,617
Net Assets, End of Year	\$ 26,949,163	\$ 3,086,624	\$ 30,035,787	\$22,446,147	\$8,106,375	\$30,552,522

See accompanying notes to the consolidated financial statements.

BLACK ROCK CHURCH AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended May 31, 2019				Year Ended May 31, 2018			
	Program Services	Supporting Services	Fundraising	Total	Program Services	Supporting Services	Fundraising	Total
Salaries and payroll taxes	\$ 2,048,112	\$ 551,415	\$ 26,258	\$ 2,625,785	\$ 1,689,458	\$ 570,763	\$ 22,831	\$ 2,283,052
Missions	1,385,351	-	-	1,385,351	1,424,039	-	-	1,424,039
Depreciation	615,744	165,777	7,894	789,415	564,297	190,641	7,626	762,564
Ministry projects	338,545	-	-	338,545	292,990	-	-	292,990
Employee health insurance	222,036	59,779	2,847	284,662	227,353	76,809	3,072	307,234
Church building maintenance	270,400	-	-	270,400	212,823	-	-	212,823
Administrative	-	229,518	-	229,518	-	204,277	-	204,277
Utilities	148,259	39,916	1,901	190,076	126,940	42,885	1,715	171,540
Miscellaneous	144,103	-	-	144,103	146,068	-	-	146,068
Office	-	122,324	-	122,324	-	115,241	-	115,241
Ministry expenses - Deacon	102,302	-	-	102,302	121,734	-	-	121,734
Youth ministries	89,116	-	-	89,116	88,332	-	-	88,332
Summer camp supplies	83,754	-	-	83,754	83,950	-	-	83,950
Music ministries	79,687	-	-	79,687	75,178	-	-	75,178
Insurance	52,704	-	-	52,704	42,926	-	-	42,926
Interest	44,836	-	-	44,836	92,925	-	-	92,925
Children's ministries	43,708	-	-	43,708	39,411	-	-	39,411
Sanctuary ministries	37,909	-	-	37,909	32,033	-	-	32,033
Café	-	-	36,641	36,641	-	-	27,409	27,409
Adult ministries	28,226	-	-	28,226	15,672	-	-	15,672
Other ministries	25,955	-	-	25,955	11,400	-	-	11,400
Automobile	22,792	-	-	22,792	21,757	-	-	21,757
Spiritual development	17,403	-	-	17,403	7,769	-	-	7,769
Advertising	16,666	-	-	16,666	-	6,066	-	6,066
Van maintenance	12,432	-	-	12,432	10,840	-	-	10,840
	<u>\$ 5,830,040</u>	<u>\$ 1,168,729</u>	<u>\$ 75,541</u>	<u>\$ 7,074,310</u>	<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 STATEMENTS OF CASH FLOWS

	Year Ended May 31,	
	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (516,735)	\$ 6,897,905
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Beneficial interest in net assets of trust	13,839	(5,509)
Realized and unrealized (gain) loss on investments	(5,037)	548
Amortization of financing costs	27,737	4,790
Depreciation	789,415	762,564
Gain on sale of equipment	-	(27,000)
Changes in operating assets and liabilities:		
Contributions receivable	3,015,678	(4,532,891)
Contributions restricted for long-term purposes	(3,283,571)	(2,356,035)
Prepaid rent	(151,250)	-
Deposit on furniture and equipment	(307,419)	-
Prepaid expenses	(16,599)	(16,761)
Accrued expenses	(36,206)	41,188
Deferred revenue	(8,621)	6,184
Accrued interest payable	<u>(7,062)</u>	<u>(2,058)</u>
Net Cash (Used) Provided by Operating Activities	<u>(485,831)</u>	<u>772,925</u>
Cash Flows from Investing Activities		
Purchases of investments	(303,367)	(1,109)
Proceeds from sale of property and equipment	-	27,000
Purchases of property and equipment	<u>(4,183,654)</u>	<u>(507,781)</u>
Net Cash Used by Investing Activities	<u>(4,487,021)</u>	<u>(481,890)</u>
Cash Flows from Financing Activities		
Contributions received restricted for property and equipment	3,283,571	2,356,035
Proceeds from mortgage payable	1,365,045	-
Finance costs paid	(89,705)	-
Repayments of mortgage payable	<u>(2,343,220)</u>	<u>(282,885)</u>
Net Cash Provided by Financing Activities	<u>2,215,691</u>	<u>2,073,150</u>
Change in Cash and Cash Equivalents	(2,757,161)	2,364,185
Cash and Cash Equivalents, Beginning of Year	<u>5,280,241</u>	<u>2,916,056</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,523,080</u>	<u>\$ 5,280,241</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 59,105</u>	<u>\$ 90,193</u>
Construction in progress in accrued construction costs	<u>\$ 592,780</u>	<u>\$ -</u>

See accompanying notes to the consolidated financial statements.

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

Adoption of New Accounting Pronouncement

On August 18, 2016, the FASB issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. The Church has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative periods presented. The new standard changes the following aspects of the Organization's financial statements:

- The temporarily restricted net asset and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 2).

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously stated			
Unrestricted			
Board - designated	\$ 196,163	\$ -	\$ 196,163
Undesignated	22,249,984	-	22,249,984
Total Unrestricted	22,446,147	-	22,446,147
Temporarily restricted	-	8,074,375	8,074,375
Permanently restricted	-	32,000	32,000
Net assets as currently stated	\$ 22,446,147	\$ 8,106,375	\$ 30,552,522

Principles of Consolidation

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

Estimates

Management uses estimates and assumptions in preparing these consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Basis of Presentation

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

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2019 AND 2018

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

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated 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 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 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 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 statements 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 in the consolidated statements of financial position.

Investments

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

Income Taxes

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

Cash and Cash Equivalents

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

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2019 AND 2018

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

Advertising

Advertising costs are expensed as incurred. Advertising expenses for the year ended May 31, 2019 and 2018 were \$16,666 and \$6,066, respectively.

Property and Equipment

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

Reclassification of Prior Year

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

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The operations and programs of the Church are primarily funded by contributions from Church members, as well as revenues from ministry events and projects and the summer camp. 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.

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>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,355,825	\$ 5,280,241
Restricted cash	167,255	-
Mutual funds	361,565	53,161
Contributions receivable	<u>1,546,060</u>	<u>4,561,738</u>
	<u>4,430,705</u>	<u>9,895,140</u>
Less amounts not available to be used within one year:		
Cash restricted for construction of property and equipment	167,255	-
Net assets with donor restrictions	3,086,624	8,106,375
Board designated net assets	<u>139,259</u>	<u>196,163</u>
	<u>3,393,138</u>	<u>8,302,538</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,037,567</u>	<u>\$ 1,592,602</u>

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2019 AND 2018

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 years ended May 31, 2019 and 2018 the Church received donated accounting services from a firm owned by a board member of \$18,712 and \$17,084, respectively.

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.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

The Church had unconditional promises to give of \$1,546,060 and \$4,561,738 as of May 31, 2019 and 2018, respectively. 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:

	May 31,	
	<u>2019</u>	<u>2018</u>
Contributions due in less than one year	\$ 2,072,175	\$ 2,852,842
Contributions due within one to five years	<u>-</u>	<u>2,331,650</u>
	2,072,175	5,184,492
Less: allowance for uncollectible pledges	(526,115)	(514,688)
Less: discount to net present value	<u>-</u>	<u>(108,066)</u>
	<u>\$ 1,546,060</u>	<u>\$ 4,561,738</u>

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2019 AND 2018

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.

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

	May 31,	
	<u>2019</u>	<u>2018</u>
Mutual fund - JP Morgan Strategic Income Opportunities Fund	\$ 54,113	\$ 53,161
United States Treasury Bill	<u>307,452</u>	<u>-</u>
	<u>\$ 361,565</u>	<u>\$ 53,161</u>

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

The fair value of contributions receivable measured at fair value on a non-recurring basis at May 31, 2019 and 2018 was \$1,546,060 and \$4,561,738, respectively. 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%.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2019 AND 2018

NOTE 6 - CONCENTRATION OF CREDIT RISK

As of May 31, 2019 and 2018, the Church held cash of \$1,312,006 and \$4,260,978, respectively, in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC). The Church, however, has not experienced any losses on these accounts and management does not believe that its cash balances are subject to significant credit risk.

NOTE 7 - RETIREMENT PLAN

The Church has a 403(b) retirement plan that covers 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 \$30,846 and \$27,223 for the years ended May 31, 2019 and 2018, respectively, and is recorded in salaries, benefits and payroll taxes on the accompanying consolidated statements of functional expenses.

NOTE 8 - MORTGAGE PAYABLE

Construction Loan to Finance Expansion of 3685 Black Rock Turnpike

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

The loan incurs interest at a rate of 4.86% per year, which will be adjusted at the end of the 7th, 14th and 21st years of the loan to the Thrivent Financial then current rate for similar loans. During the first two years, 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 loan is secured by a first mortgage or Deed of Trust on all the land and improvements owned by the Church, a first lien on all personal property owned by the Church, and an assignment of cash (to be held in a restricted account at a commercial bank) and pledges associated with the capital campaign on the construction project. The Church must comply with certain financial covenants.

Aggregate principal payments of mortgage payable are:

Year Ending May 31,	
2020	\$ -
2021	22,175
2022	34,634
2023	39,302
2024	38,154
Thereafter	<u>1,230,780</u>
	1,365,045
Less: finance costs	<u>86,715</u>
Total Mortgage Payable	<u><u>\$ 1,278,330</u></u>

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2019 AND 2018

NOTE 8 - MORTGAGE PAYABLE – (CONTINUED)

Construction Loan

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. On August 16, 2018, the Church paid off the remaining balance of this mortgage loan. The loan required 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 was 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 was required to comply with certain financial covenants.

Interest expense was \$44,836 and \$92,925 for the year ended May 31, 2019 and 2018, respectively. Interest capitalized into construction-in-progress during the year ended May 31, 2019 was \$7,062.

NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	May 31,	
	<u>2019</u>	<u>2018</u>
Buildings and building improvements	\$ 20,329,208	\$20,242,167
Construction-in-progress	4,848,053	195,710
Land	3,634,710	3,634,710
Computers and equipment	999,367	980,422
Furniture and fixtures	586,668	580,888
Automobiles and trucks	<u>104,479</u>	<u>92,154</u>
	30,502,485	25,726,051
Accumulated depreciation	<u>(3,571,068)</u>	<u>(2,781,653)</u>
	<u>\$ 26,931,417</u>	<u>\$22,944,398</u>

Construction-in-progress recorded as of May 31, 2019 and 2018 relates to the construction of the second floor at its church located at 3685 Black Rock Turnpike.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10 - BOARD DESIGNATED FUNDS

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

	May 31,	
	<u>2019</u>	<u>2018</u>
BRC-LR seed	\$ 59,700	\$ 90,000
Women's ministry	12,046	-
CSB stockade	8,368	11,040
Men's ministry	7,868	10,168
CARS ministry	7,733	8,217
Matthew 25	7,716	3,559
Special projects	7,640	-
Junior high events	3,777	3,375
Marriage ministry	3,756	-
Vacation bible school	3,165	3,835
CSB leaders training	2,979	2,919
Seniors of the Rock	2,777	-
Care ministry	2,377	2,867
Spiritual development	1,691	751
Sanctuary apparel	1,602	507
Revive	1,077	1,077
Dads of the Rock	1,056	183
Special events	955	955
Chancel choir	810	1,815
Sunday school	609	-
Awana	544	-
Senior high events	341	2,243
Sews and sews	290	290
CBS Batallion	249	249
Community groups	89	64
Sanctuary retreats	44	-
Stamford launch	-	40,552
Long Ridge in/out	-	8,459
Youth/Young Life	-	2,112
Moms of the Rock	-	726
LR missions support	-	200
	<u>\$ 139,259</u>	<u>\$ 196,163</u>

BLACK ROCK CHURCH AND SUBSIDIARY
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NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

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

	May 31,	
	<u>2019</u>	<u>2018</u>
Ministry Fund		
Choir and orchestra supplies	\$ 11,602	\$ 11,602
Diversity initiatives	10,000	10,000
Finishing piece	-	181
Clergy renewal	-	477
Targeted gifts	-	15,000
Total Local Ministry Fund	<u>21,602</u>	<u>37,260</u>
Missions Fund		
Missions - general	403,893	483,127
Designated missions	187,570	181,140
Church short-term missions trips	74,107	97,241
College loans	65,556	64,898
Royal family kid's camp	44,670	17,349
Missions conference	392	-
Total Missions Fund	<u>776,188</u>	<u>843,755</u>
Building Fund - For Expenses Related to 3865 Black Rock Turnpike	<u>1,855,495</u>	<u>6,782,941</u>
Beneficial Interest in Trust	<u>272,890</u>	<u>286,730</u>
Deacons Fund - For Families In Need	<u>160,449</u>	<u>155,689</u>
Total Net Assets With Donor Restrictions	<u>\$ 3,086,624</u>	<u>\$ 8,106,375</u>

NOTE 12 - RENTAL INCOME

Effective November 1, 2018, the Church entered into a lease agreement with New Hope Church in Stamford, CT. The agreement 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. During the year-ended May 31, 2019, the Church utilized designated funds for the Stamford facility in lieu of charging New Hope Church rental fees.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 - LEASE COMMITMENTS

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

The Church leases office equipment under noncancelable operating leases that expire through May 2022. Rent expense for office equipment was \$61,798 and \$42,348 during the years ended May 31, 2019 and 2018, respectively, and is recorded in offices expenses in the accompanying consolidated statements of functional expenses.

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

Year Ending May 31,	
2020	\$ 51,964
2021	51,054
2022	46,746
2023	10,000
2024	10,000
Thereafter	<u>30,000</u>
	<u>\$ 199,764</u>

NOTE 14 - TRUST BENEFICIARY

The Church is the income beneficiary of a trust established in 1933. The initial contribution of \$32,000 was invested in a perpetual trust and income is distributed to the Church on a quarterly basis. Since the Church has an irrevocable right to the income from the trust assets, the Church is required to reflect its beneficial interest in the net assets of the trust in the consolidated financial statements. Legally, the trust and the Church are separate entities and the Church can only receive distributions of the net income of the trust when approved by the trustee of the assets. The Organization's beneficial interest in the net assets of the trust of \$272,891 and \$286,730 as of May 31, 2019 and 2018, respectively, has been reflected on the accompanying consolidated statements of financial position. The Organization's change in the beneficial interest in the net assets of the trust of \$(2,489) and \$14,449 during the years ended May 31, 2019 and 2018, respectively, is reflected on the accompanying consolidated statements of activities.

BLACK ROCK CHURCH AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14 - TRUST BENEFICIARY – (CONTINUED)

The trust's summarized financial data is as follows:

	May 31,	
	<u>2019</u>	<u>2018</u>
Total Assets	<u>\$ 272,891</u>	<u>\$ 286,730</u>
Total Net Assets	<u>\$ 272,891</u>	<u>\$ 286,730</u>
Total Investment (Loss) Income	<u>\$ (2,489)</u>	<u>\$ 14,449</u>
Distributions to Black Rock Church	<u>\$ 11,350</u>	<u>\$ 8,940</u>

NOTE 15 - SUBSEQUENT EVENTS

Subsequent events were evaluated through October 2, 2019, the date the financial statements were available to be issued. Management concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.