



CHERRY HILLS
COMMUNITY CHURCH

**CHERRY HILLS COMMUNITY
CHURCH**

Financial Statements
With Independent Auditors' Report

June 30, 2020

CHERRY HILLS COMMUNITY CHURCH

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INDEPENDENT AUDITORS' REPORT

Board of Elders
Cherry Hills Community Church
Highlands Ranch, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Cherry Hills Community Church, which comprise the statement of financial position as of June 30, 2020, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Board of Elders
Cherry Hills Community Church
Highlands Ranch, Colorado

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cherry Hills Community Church, as of June 30, 2020, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Centennial, Colorado
December 14, 2020

CHERRY HILLS COMMUNITY CHURCH

Statement of Financial Position

June 30, 2020

ASSETS:

Current assets:

Cash and cash equivalents	\$ 11,727,839
Prepaid expenses and other assets-net	64,713

11,792,552

Property and equipment-net

41,511,143

Total Assets

\$ 53,303,695

LIABILITIES AND NET ASSETS:

Liabilities:

Current liabilities:

Accounts payable	\$ 434,837
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Accrued liabilities	800,661
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Deferred revenue	539,140
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Paycheck protection program loan	2,399,900
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4,174,538

Net assets:

Without donor restrictions:

Operating	43,855,101
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Board designated	4,629,740
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48,484,841

With donor restrictions

644,316

49,129,157

Total Liabilities and Net Assets

\$ 53,303,695

See notes to financial statements

CHERRY HILLS COMMUNITY CHURCH

Statement of Activities

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Tithes and offerings	\$ 13,126,192	\$ 2,132,269	\$ 15,258,461
School tuition and fees–net	6,112,999		6,112,999
Preschool tuition and fees–net	857,486	-	857,486
Café and bookstore sales–net	158,667	-	158,667
Ministry and other income	434,601	-	434,601
	<u>20,689,945</u>	<u>2,132,269</u>	<u>22,822,214</u>
NET ASSETS RELEASED:			
From purpose restrictions	1,938,682	(1,938,682)	-
	<u>1,938,682</u>	<u>(1,938,682)</u>	<u>-</u>
EXPENSES:			
Program services:			
School	8,002,863	-	8,002,863
Adult ministries	3,063,554	-	3,063,554
Outreach and missions	3,174,967	-	3,174,967
Worship	2,770,202	-	2,770,202
Family, children, and youth ministries	2,752,838	-	2,752,838
Preschool	1,225,518	-	1,225,518
Café and bookstore	335,751	-	335,751
	<u>21,325,693</u>	<u>-</u>	<u>21,325,693</u>
Support services:			
Management and general	2,311,008	-	2,311,008
Fundraising	42,744	-	42,744
	<u>2,353,752</u>	<u>-</u>	<u>2,353,752</u>
Total Expenses	<u>23,679,445</u>	<u>-</u>	<u>23,679,445</u>
Change in Net Assets	(1,050,818)	193,587	(857,231)
Net Assets, Beginning of Year	<u>49,535,659</u>	<u>450,729</u>	<u>49,986,388</u>
Net Assets, End of Year	<u>\$ 48,484,841</u>	<u>\$ 644,316</u>	<u>\$ 49,129,157</u>

See notes to financial statements

CHERRY HILLS COMMUNITY CHURCH

Statement of Functional Expenses

Year Ended June 30, 2020

	Salaries and Benefits	Depreciation and Amortization	Events, Curriculum, and Classroom	Grants and Direct Support	Facility Costs	Supplies, Meals, and Other	Office and Professional Fees	Total
Program Services:								
School	\$ 5,427,001	\$ 1,057,344	\$ 541,655	\$ 1,139	\$ 512,147	\$ 175,778	\$ 287,799	\$ 8,002,863
Outreach and missions	854,150	81,927	310,075	1,463,399	38,066	324,980	102,370	3,174,967
Adult ministries	2,020,079	248,203	456,420	24,056	115,324	113,270	86,202	3,063,554
Worship	1,907,384	74,461	572,474	746	105,815	29,091	80,231	2,770,202
Family, children, and youth ministries	1,365,939	521,226	409,502	48,122	242,181	79,618	86,250	2,752,838
Preschool	739,797	260,613	27,898	-	121,091	46,763	29,356	1,225,518
Café and bookstore	219,626	17,374	2,630	-	8,073	69,523	18,525	335,751
	<u>12,533,976</u>	<u>2,261,148</u>	<u>2,320,654</u>	<u>1,537,462</u>	<u>1,142,697</u>	<u>839,023</u>	<u>690,733</u>	<u>21,325,693</u>
Support Services:								
Management and general	1,665,152	220,881	54,166	-	102,630	91,461	176,718	2,311,008
Fundraising	1,373	-	-	-	-	41,371	-	42,744
	<u>1,666,525</u>	<u>220,881</u>	<u>54,166</u>	<u>-</u>	<u>102,630</u>	<u>132,832</u>	<u>176,718</u>	<u>2,353,752</u>
Total expenses	<u><u>\$ 14,200,501</u></u>	<u><u>\$ 2,482,029</u></u>	<u><u>\$ 2,374,820</u></u>	<u><u>\$ 1,537,462</u></u>	<u><u>\$ 1,245,327</u></u>	<u><u>\$ 971,855</u></u>	<u><u>\$ 867,451</u></u>	<u><u>\$ 23,679,445</u></u>

See notes to financial statements

CHERRY HILLS COMMUNITY CHURCH

Statement of Cash Flows

For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (857,231)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization	2,482,029
Gain on disposal of property and equipment	1,398
Change in operating assets and liabilities:	
Prepaid expenses and other assets	(9,301)
Accounts payable	55,081
Accrued liabilities	(173,210)
Deferred revenue	(125,444)
Net Cash Provided by Operating Activities	<u>1,373,322</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	<u>(1,859,415)</u>
Net Cash Used by Investing Activities	<u>(1,859,415)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from Paycheck Protection Program loan	2,399,900
Payments on line of credit	<u>(275,827)</u>
Net Cash Provided by Financing Activities	<u>2,124,073</u>

Net Change in Cash and Cash Equivalents 1,637,980

Cash and Cash Equivalents Beginning of Year 10,089,859

Cash and Cash Equivalents, End of Year \$ 11,727,839

SUPPLEMENTAL DISCLOSURE:

Cash paid for interest \$ 13,639

See notes to financial statements

CHERRY HILLS COMMUNITY CHURCH

Notes to Financial Statements

June 30, 2020

1. NATURE OF ORGANIZATION:

Cherry Hills Community Church (the Church) was incorporated in the state of Colorado in 1981, began services in Littleton, Colorado in March 1982, and relocated to Highlands Ranch, Colorado in July 1995. The five-fold purpose of the Church is to exalt Christ (worship), to bring people to Christ (evangelism), to bond people in Christ (community and fellowship), to build people in Christ (discipleship), and to send people into ministry for Christ (missions).

In addition to weekly services, the Church provides Bible study classes and various activities for attendees. The Church operates a nonprofit school for grades kindergarten through eighth (Cherry Hills Christian School), a children's day out and preschool program (Cherry Hills Christian Preschool) and a coffee shop (Wild Blue Cafe).

The Church is operated as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), and comparable state laws. However, the Church is subject to federal income tax on any unrelated business taxable income. The Church is not a private foundation under Section 509(a) of the IRC. The Church's primary source of support and revenue is from contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Church maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents contain checking accounts, savings accounts, and highly liquid investments with original maturities of three months or less. As of June 30, 2020, the amount exceeding the federally insured limits was approximately \$10,720,000. The Church has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk.

CHERRY HILLS COMMUNITY CHURCH

Notes to Financial Statements

June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost. Donated items are recorded at their fair market value on the date of the gift. Donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted. Absent donor stipulations regarding how long those donated assets must be maintained, the Church reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Depreciation is computed on the straight-line method over the estimated useful lives (currently three to forty years) of the related assets. The Church capitalizes fixed asset purchases exceeding \$5,000, with lesser amounts expensed in the year purchased.

DEFERRED REVENUE

Deferred revenue consists primarily of school tuition and fees and unearned deposits for a Memorial Garden. School tuition and fees received prior to June 30 for the next school year have been deferred until earned.

Unearned deposits for a Memorial Garden are related to the purchase of rights in its Memorial Garden. Applicants purchase rights to niches for remains to be placed upon death, rights for remains to be placed in a communal urn, or rights to have names placed on a wall of remembrance. Deposits are due upfront. Upon receipt of deposits and payments, 50 percent is refundable for up to 10 years or whenever the remains are placed, whichever occurs first, at which time they are recorded as revenue on the statements of activities as ministry and other income.

CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets as follows:

Net assets without donor restrictions are those currently available at the discretion of management for use in the Church's operations and those resources designated by the board for specific purposes or projects.

Net assets with donor restrictions are restricted by donors for specific operating purposes or until time restrictions have been met.

CHERRY HILLS COMMUNITY CHURCH

Notes to Financial Statements

June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash or other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Church reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Church reports expirations of donor restrictions when the donated long-lived assets are placed in service.

Tuition and fees for the School and Preschool are reported net of discounts of approximately \$232,000 for the year ended June 30, 2020 and is recorded as revenue when classes occur.

Café and bookstore sales are reported net of cost of goods sold of \$8,760 and is recorded as revenue when the sale occurs.

Ministry and other income consists of revenues received from events, camps, and retreats held by the Church and are recorded when earned.

FUNCTIONAL ALLOCATION OF EXPENSES

The statements of activities and functional expenses report certain categories of expenses that are attributable to program or support activities of the Church. These expenses include facility costs and depreciation and amortization, which are allocated based on square footage occupancy. Salaries and benefits are allocated based on time and effort, and costs of other categories are allocated based on the purpose of the expense.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Church adopted the provisions of this new standard during the year ended June 30, 2020. This new standard provides guidance on determining whether a transactions should be accounted for as an exchange transaction or a contribution and whether a contribution should be recorded as conditional or unconditional. This standard did not have a material impact on the presentation of the June 30, 2020 financial statements.

CHERRY HILLS COMMUNITY CHURCH

Notes to Financial Statements

June 30, 2020

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the Church's financial assets as of June 30, 2020 reduced by amounts not available for general use because of contractual, donor-imposed restrictions, or board designations within one year of the statement of financial position date:

Financial Assets:	
Cash and cash equivalents	\$ 11,727,839
Less those unavailable for general expenditures within one year due to:	
Board designated for specific purposes	<u>(4,629,740)</u>
	<u>\$ 7,098,099</u>

The Church structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Church has a goal to maintain cash on hand of two months of normal operating expenses for church operations, which are approximately \$1,700,000 as of June 30, 2020. As part of its liquidity management, the Church also has access to a line of credit. Management monitors cash flows closely through board meetings and detailed financial analysis.

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net, as of June 30, 2020 consists of:

Land	\$ 5,341,515
Buildings and improvements	61,197,377
Furniture and equipment	<u>4,445,408</u>
	70,984,300
Less accumulated depreciation	<u>(29,473,157)</u>
	<u>\$ 41,511,143</u>

5. LINE OF CREDIT:

The Church has access to a line of credit with a bank up to \$2,300,000 and expires March 2021. The outstanding principal balance bears interest at the Wall Street Journal prime rate plus 1 percent, with a minimum of 5.5 percent. The effective interest rate as of June 30, 2020 is 5.5 percent. The line of credit is secured by substantially all assets of the Church. As of June 30, 2020, there is no outstanding balance on the line of credit.

CHERRY HILLS COMMUNITY CHURCH

Notes to Financial Statements

June 30, 2020

6. PAYCHECK PROTECTION PROGRAM LOAN:

The Church received a Paycheck Protection Program loan of \$2,399,900 with a maturity date of April 2022 and a 1% interest rate. Monthly payments of \$135,083 will begin in fiscal year 2021. The Church intends to apply for and expects full loan forgiveness.

Future minimum loan payments for the loan are:

<u>Year Ending June 30, 2020</u>	
2021	\$ 1,055,670
2022	<u>1,344,230</u>
	<u><u>\$ 2,399,900</u></u>

7. BOARD DESIGNATED NET ASSETS:

Board designated net assets as of June 30, 2020 consist of:

Capital improvements	\$ 1,200,589
Other specific ministry programs	<u>3,429,151</u>
	<u><u>\$ 4,629,740</u></u>

8. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions as of June 30, 2020 consists of:

Manna care	\$ 351,855
Ministry support and other	<u>292,461</u>
	<u><u>\$ 644,316</u></u>

9. RETIREMENT PLAN:

The Church offers all employees who work over 20 hours a week and are at least 21 years of age access to a 403(b) retirement plan. The Church matched employee contributions up to 6% of their qualifying employee contributions for the year ended June 30, 2020 for all eligible employees working over 30 hours a week. The employer match vests based on years of service and is fully vested after four years. The employer match for the year ended June 30, 2020 was \$316,288.

CHERRY HILLS COMMUNITY CHURCH

Notes to Financial Statements

June 30, 2020

10. RISKS AND UNCERTAINTIES:

In March of 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Church for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

11. SUBSEQUENT EVENTS:

Subsequent to the year ended June 30, 2020, the board of elders and the senior pastor have resigned. The Church is in process of searching for a new senior pastor. As of December 2020, a new elder board was elected and ordained.

Subsequent to the year ended June 30, 2020, Cherry Hills Christian School (the School) was incorporated into a separate 501(c)(3) than the Church. As of July 1, 2020, the School operates independent of the Church. The School acquired the assets and liabilities of the Church that were used or incurred in connection with the School.

Subsequent events were evaluated through December 14, 2020, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

Board of Elders
Cherry Hills Community Church
Highlands Ranch, Colorado

We have audited the financial statements of Cherry Hills Community Church as of and for the year ended June 30, 2020, and our report thereon dated December 14, 2020, which expresses an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of revenue center activity is presented for the purpose of additional analysis and it not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Capin Crouse LLP

Centennial, Colorado
December 14, 2020

CHERRY HILLS COMMUNITY CHURCH

Schedule of Revenue Center Activity

For the Year Ended June 30, 2020

	Cherry Hills Community Church	Cherry Hills Christian School	Cherry Hills Christian Preschool	Wild Blue Café	Totals
REVENUES					
Tithes and offerings	\$ 14,967,570	\$ 84,767	\$ 206,124	\$ -	\$ 15,258,461
School tuition and fees—net	-	6,112,999	-	-	6,112,999
Preschool tuition and fees—net	-	-	857,486	-	857,486
Café and bookstore sales—net	-	-	-	158,667	158,667
Ministry and other income	434,601	-	-	-	434,601
Total Revenue and Support	15,402,171	6,197,766	1,063,610	158,667	22,822,214
EXPENSES					
Salaries and benefits	7,814,077	5,427,001	739,797	219,626	14,200,501
Depreciation and amortization	1,146,698	1,057,344	260,613	17,374	2,482,029
Events, curriculum, and classroom	1,802,637	541,655	27,898	2,630	2,374,820
Grants and direct support	1,536,323	1,139	-	-	1,537,462
Facility costs	604,016	512,147	121,091	8,073	1,245,327
Supplies, meals, and other	679,791	175,778	46,763	69,523	971,855
Office and professional fees	531,771	287,799	29,356	18,525	867,451
Total Expenses	14,115,313	8,002,863	1,225,518	335,751	23,679,445
Excess (deficit) of revenues less expenses	\$ 1,286,858	\$ (1,805,097)	\$ (161,908)	\$ (177,084)	\$ (857,231)

See notes to financial statements