



CHERRY HILLS
COMMUNITY CHURCH

**CHERRY HILLS COMMUNITY
CHURCH**

Financial Statements
With Independent Auditors' Report

June 30, 2021 and 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 statements of financial position as of June 30, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years 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 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 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, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Centennial, Colorado
December 2, 2021

CHERRY HILLS COMMUNITY CHURCH

Statements of Financial Position

	June 30,	
	2021	2020
ASSETS:		
Cash and cash equivalents	\$ 6,296,387	\$ 11,302,372
Prepaid expenses and other assets–net	27,333	39,615
School assets-discontinued operations	-	573,380
Property and equipment–net	39,625,107	41,388,328
Total Assets	\$ 45,948,827	\$ 53,303,695
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 247,639	\$ 434,837
Accrued liabilities	257,857	615,640
Deferred revenue	398,598	407,223
Paycheck Protection Program loan	-	2,399,900
School liabilities-discontinued operations	-	316,938
Total liabilities	904,094	4,174,538
Net assets:		
Without donor restrictions:		
Operating	42,023,478	43,855,101
Board designated	2,858,083	4,629,740
	44,881,561	48,484,841
With donor restrictions	163,172	644,316
Total net assets	45,044,733	49,129,157
Total Liabilities and Net Assets	\$ 45,948,827	\$ 53,303,695

See notes to financial statements

CHERRY HILLS COMMUNITY CHURCH

Statements of Activities

	Year Ended June 30,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Tithes and offerings	\$ 8,075,049	\$ 712,947	\$ 8,787,996	\$ 12,835,301	\$ 2,132,269	\$ 14,967,570
Government grant income	2,399,900	-	2,399,900	-	-	-
Ministry and other income	837,606	-	837,606	593,268	-	593,268
Total Support and Revenue	<u>11,312,555</u>	<u>712,947</u>	<u>12,025,502</u>	<u>13,428,569</u>	<u>2,132,269</u>	<u>15,560,838</u>
NET ASSETS RELEASED:						
From purpose restrictions	<u>1,194,091</u>	<u>(1,194,091)</u>	<u>-</u>	<u>1,909,860</u>	<u>(1,909,860)</u>	<u>-</u>
EXPENSES:						
Salaries and benefits	4,873,591	-	4,873,591	8,033,703	-	8,033,703
Depreciation	2,612,655	-	2,612,655	1,164,072	-	1,164,072
Office and professional fees	1,097,479	-	1,097,479	550,296	-	550,296
Facility costs	1,022,708	-	1,022,708	612,089	-	612,089
Supplies, meals and office	986,440	-	986,440	749,314	-	749,314
Events and other	884,674	-	884,674	1,805,267	-	1,805,267
Grants and direct support	868,229	-	868,229	1,536,323	-	1,536,323
Total Expenses	<u>12,345,776</u>	<u>-</u>	<u>12,345,776</u>	<u>14,451,064</u>	<u>-</u>	<u>14,451,064</u>
Change in Net Assets from continuing operations	<u>160,870</u>	<u>(481,144)</u>	<u>(320,274)</u>	<u>887,365</u>	<u>222,409</u>	<u>1,109,774</u>
DISCONTINUED OPERATIONS:						
Change in net assets from school operations	-	-	-	(1,938,183)	(28,822)	(1,967,005)
Distribution due to discontinued school operations	(3,764,150)	-	(3,764,150)	-	-	-
	<u>(3,764,150)</u>	<u>-</u>	<u>(3,764,150)</u>	<u>(1,938,183)</u>	<u>(28,822)</u>	<u>(1,967,005)</u>
Change in Net Assets	(3,603,280)	(481,144)	(4,084,424)	(1,050,818)	193,587	(857,231)
Net Assets, Beginning of Year	<u>48,484,841</u>	<u>644,316</u>	<u>49,129,157</u>	<u>49,535,659</u>	<u>450,729</u>	<u>49,986,388</u>
Net Assets, End of Year	<u>\$ 44,881,561</u>	<u>\$ 163,172</u>	<u>\$ 45,044,733</u>	<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, 2021

	Salaries and Benefits	Depreciation	Professional Fees	Facility Costs	Supplies, Meals and Office	Events and Other	Grants and Direct Support	Total
Program Services:								
Family, children, and youth ministries	\$ 1,079,520	\$ 1,172,077	\$ 142,128	\$ 414,516	\$ 109,200	\$ 131,729	\$ 3,829	\$ 3,052,999
Outreach and missions	471,510	182,070	289,822	64,391	470,584	415,174	843,480	2,737,031
Adult ministries	1,226,199	556,005	73,162	196,636	142,119	152,688	20,340	2,367,149
Worship	953,616	168,486	416,131	158,305	55,878	120,311	580	1,873,307
Café and bookstore	81,877	40,307	12,639	14,255	21,856	4,947	-	175,881
	<u>3,812,722</u>	<u>2,118,945</u>	<u>933,882</u>	<u>848,103</u>	<u>799,637</u>	<u>824,849</u>	<u>868,229</u>	<u>10,206,367</u>
Supporting Activities:								
Management and general	1,060,869	493,710	163,597	174,605	184,055	59,825	-	2,136,661
Fundraising	-	-	-	-	2,748	-	-	2,748
	<u>1,060,869</u>	<u>493,710</u>	<u>163,597</u>	<u>174,605</u>	<u>186,803</u>	<u>59,825</u>	<u>-</u>	<u>2,139,409</u>
Total Expenses	<u><u>\$ 4,873,591</u></u>	<u><u>\$ 2,612,655</u></u>	<u><u>\$ 1,097,479</u></u>	<u><u>\$ 1,022,708</u></u>	<u><u>\$ 986,440</u></u>	<u><u>\$ 884,674</u></u>	<u><u>\$ 868,229</u></u>	<u><u>\$ 12,345,776</u></u>

See notes to financial statements

CHERRY HILLS COMMUNITY CHURCH

Statement of Functional Expenses

Year Ended June 30, 2020

	Salaries and Benefits	Depreciation	Facility Costs	Events and Other	Grants and Direct Support	Office and Professional Fees	Supplies and Meals	Total
Program Services:								
Family, children, and youth ministries	\$ 1,365,939	\$ 521,226	\$ 242,181	\$ 409,502	\$ 48,122	\$ 86,250	\$ 79,618	\$ 2,752,838
Outreach and missions	854,150	81,927	38,066	310,075	1,463,399	102,370	324,980	3,174,967
Adult ministries	2,020,079	248,203	115,324	456,420	24,056	86,202	113,270	3,063,554
Worship	1,907,384	74,461	105,815	572,474	746	80,231	29,091	2,770,202
Café and bookstore	219,626	17,374	8,073	2,630	-	18,525	69,523	335,751
	<u>6,367,178</u>	<u>943,191</u>	<u>509,459</u>	<u>1,751,101</u>	<u>1,536,323</u>	<u>373,578</u>	<u>616,482</u>	<u>12,097,312</u>
Supporting Activities:								
Management and general	1,665,152	220,881	102,630	54,166	-	176,718	91,461	2,311,008
Fundraising	1,373	-	-	-	-	-	41,371	42,744
	<u>1,666,525</u>	<u>220,881</u>	<u>102,630</u>	<u>54,166</u>	<u>-</u>	<u>176,718</u>	<u>132,832</u>	<u>2,353,752</u>
Total Expenses	<u>\$ 8,033,703</u>	<u>\$ 1,164,072</u>	<u>\$ 612,089</u>	<u>\$ 1,805,267</u>	<u>\$ 1,536,323</u>	<u>\$ 550,296</u>	<u>\$ 749,314</u>	<u>\$ 14,451,064</u>

See notes to financial statements

CHERRY HILLS COMMUNITY CHURCH

Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (4,084,424)	\$ (857,231)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,612,655	1,164,072
Depreciation from school operations	-	1,317,957
Gain on disposal of property and equipment	-	1,398
Forgiveness of Paycheck Protection Program loan	(2,399,900)	-
Change in school assets and liabilities-discontinued operations	256,442	(425,467)
Change in operating assets and liabilities:		
Prepaid expenses and other assets	12,282	(9,301)
Accounts payable	(187,198)	55,081
Accrued liabilities	(357,783)	(173,210)
Deferred revenue	(8,625)	(125,444)
Net Cash Provided (Used) by Operating Activities	(4,156,551)	947,855
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(849,434)	(1,859,415)
Net Cash Used by Investing Activities	(849,434)	(1,859,415)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	-	2,399,900
Payments on line of credit	-	(275,827)
Net Cash Provided by Financing Activities	-	2,124,073
Net Change in Cash and Cash Equivalents	(5,005,985)	1,212,513
Cash and Cash Equivalents Beginning of Year	11,302,372	10,089,859
Cash and Cash Equivalents, End of Year	\$ 6,296,387	\$ 11,302,372
SUPPLEMENTAL DISCLOSURE AND NON-CASH TRANSACTION:		
Cash paid for interest	\$ -	\$ 13,639
Forgiveness of Paycheck Protection Program loan	\$ 2,399,900	\$ -

See notes to financial statements

CHERRY HILLS COMMUNITY CHURCH

Notes to Financial Statements

June 30, 2021 and 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). The Church also provides Bible study classes and various activities for attendees.

Additionally, the Church operated a nonprofit school for grades kindergarten through eighth grade and a preschool program (the School) until July 2020, at which time all assets and liabilities were transferred to a new 501(c)(3), which is not controlled by the Church.

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 tithes and offerings.

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, 2021 and 2020, the amounts exceeding the federally insured limits was approximately \$5,600,000 and \$10,300,000, respectively. 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, 2021 and 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 unearned deposits for a Memorial Garden related to the purchase of rights in its Memorial Garden. Applicants purchase rights to niches or urns for remains to be placed upon death, or rights to have names placed on a wall of remembrance. Revenue is recognized when the performance obligations are met, which are when a spot is reserved or when the remains are placed. They are recorded as revenue on the statements of activities as ministry and other income at that time.

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 such as capital reserves and Manna ministry.

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

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.

CHERRY HILLS COMMUNITY CHURCH

Notes to Financial Statements

June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, continued

During the year ended June 30, 2020, the Church received a Paycheck Protection Program (PPP) loan of \$2,399,900. This loan was eligible for forgiveness based on the Church incurring various qualifying expenses such as normal payroll costs and utilities. During the year ended June 30, 2021, the Church applied and received full forgiveness of the PPP loan; therefore, the total amount of the loan has been recorded in government grant income on the statements of activities.

Ministry and other income consists of revenues received from the School for rent, events, camps, and retreats held by the Church, sales from the Café and bookstore, and Memorial Garden revenue. Ministry and other income is recorded when earned.

Expenses are recognized when an obligation is incurred.

FUNCTIONAL ALLOCATION OF EXPENSES

The statements of activities and functional expenses report certain categories of expenses that are attributable to program services or supporting activities of the Church. These expenses include facility costs and depreciation, 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 STANDARD

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606 of the FASB Accounting Standards Codification). The School adopted the provisions of this new standard during the year ended June 30, 2021. The new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Adoption of this standard had no effect on change in net assets or net assets in total.

3. DISCONTINUED OPERATIONS:

A component of an entity consists of operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. During the year ended June 30, 2020, the Church considered the School a component. As of July 2020, the School obtained their own 501(c)(3) status and separated from the Church, at which time, the Church donated assets to the School and the School assumed certain liabilities. The assets and liabilities related to the School are presented separately on the statements of financial position.

CHERRY HILLS COMMUNITY CHURCH

Notes to Financial Statements

June 30, 2021 and 2020

3. DISCONTINUED OPERATIONS, continued:

Assets and liabilities related to discontinued operations as of June 30, 2020:

School Assets:

Cash and cash equivalents	\$	425,467
Prepaid expenses and other assets		25,098
Property and equipment–net		<u>122,815</u>
	\$	<u><u>573,380</u></u>

School Liabilities:

Accrued expenses	\$	185,021
Deferred revenue		<u>131,917</u>
	\$	<u><u>316,938</u></u>

During the year ended June 30, 2020, the School operated as a component under the Church. The results of these operations are reported in discontinued operations for the year ended June 30, 2020:

Revenue:

Tuition and fees–net of discounts	\$	6,970,485
Contributions and other income		<u>290,891</u>
		7,261,376

Expenses (9,228,381)

Change in Net Assets from School Operations \$ (1,967,005)

As of July 2020, the Church donated the fair value of assets and liabilities to the School of \$3,764,150. This is recorded as a distribution due to discontinued operations on the statements of activities. As the Church has no control over the School's new 501(c)(3) entity, these financial statements do not include any activity of that new entity as of or for the year ending June 30, 2021. It does not meet the requirement to be consolidated within the Church.

CHERRY HILLS COMMUNITY CHURCH

Notes to Financial Statements

June 30, 2021 and 2020

4. LIQUIDITY AND FUNDS AVAILABLE:

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

	June 30,	
	2021	2020
Financial Assets:		
Cash and cash equivalents	\$ 6,296,387	\$ 11,302,372
Less those unavailable for general expenditures within one year due to:		
Board designated for specific purposes	(2,858,083)	(4,629,740)
	<u>\$ 3,438,304</u>	<u>\$ 6,672,632</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. 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.

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net, consists of:

	June 30,	
	2021	2020
Land	\$ 5,341,515	\$ 5,341,515
Buildings and improvements	61,712,798	61,197,377
Furniture and equipment	4,224,984	4,322,593
	<u>71,279,297</u>	<u>70,861,485</u>
Less accumulated depreciation	(31,654,190)	(29,473,157)
	<u>\$ 39,625,107</u>	<u>\$ 41,388,328</u>

CHERRY HILLS COMMUNITY CHURCH

Notes to Financial Statements

June 30, 2021 and 2020

6. LINE OF CREDIT:

The Church has access to a line of credit with a bank up to \$2,300,000 and expires March 2024. The outstanding principal balance bears interest at the Wall Street Journal prime rate plus 1 percent, with a minimum of 5.0 percent. The effective interest rate as of June 30, 2021 and 2020 was 5 and 5.5 percent, respectively. The line of credit is secured by substantially all assets of the Church. As of June 30, 2021 and 2020, there is no outstanding balance on the line of credit.

7. BOARD DESIGNATED NET ASSETS:

Board designated net assets consist of:

	June 30,	
	2021	2020
Capital improvements	\$ 1,390,414	\$ 1,200,589
Other specific ministry programs	1,467,669	3,429,151
	<u>\$ 2,858,083</u>	<u>\$ 4,629,740</u>

8. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consists of:

	June 30,	
	2021	2020
Manna care	\$ 89,117	\$ 351,855
Ministry support and other	74,055	292,461
	<u>\$ 163,172</u>	<u>\$ 644,316</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 matches employee contributions up to 6% of their qualifying employee contributions for all eligible employees working over 30 hours a week. The employer match portion vests based on years of service and is fully vested after four years. The employer contribution for the years ended June 30, 2021 and 2020 was \$149,515 and \$316,288, respectively.

CHERRY HILLS COMMUNITY CHURCH

Notes to Financial Statements

June 30, 2021 and 2020

10. RISKS AND UNCERTAINTIES:

In March 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 events were evaluated through December 2, 2021, which is the date the financial statements were available to be issued.